

**NEW ISSUE
BOOK ENTRY ONLY**

RATINGS:

The Bonds

(FSA Insured: 2006-2016)

(See "RATINGS" herein)

Fitch *Moody's* *Standard & Poor's*

AA+

Aa2

AA

AAA

Aaa

AAA

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. (See "TAX STATUS" herein for a description of certain other provisions of law which may affect the federal tax treatment of interest on the Bonds.) Interest on the Bonds is not exempt from State of Wisconsin income tax or franchise tax.

\$159,985,000

CITY OF MILWAUKEE, WISCONSIN

General Obligation Refunding Bonds, Series of 2002-A

The General Obligation Refunding Bonds, Series of 2002-A (the "Bonds") are direct general obligations of the City, payable from taxes levied on all taxable property within the City, subject to taxation by the City, without limitation as to rate or amount, and are issued for the purpose of current and advance refunding certain outstanding general obligations of the City.

The Bonds will be dated October 15, 2002, will bear interest payable semiannually on March 1 and September 1 of each year, commencing March 1, 2003, at the rates shown below. The Bonds will mature on September 1 in the years and amounts shown below. The Bonds are not subject to redemption prior to maturity.

Interest				Interest			
September 1	Amount	Rate	Yield	September 1	Amount	Rate	Yield
2003	\$5,220,000	2.50%	1.35%	2010	\$17,505,000	5.00%	3.30%
2004	8,680,000	2.50	1.73	2011	23,675,000	5.00	3.40
2005	6,255,000	3.00	1.95	2012	21,720,000	5.00	3.50
2006	2,425,000	4.00	2.23	2013	14,715,000	5.25	3.61
2007	2,295,000	5.00	2.54	2014	16,715,000	5.25	3.76
2008	6,460,000	5.00	2.84	2015	14,430,000	5.25	3.87
2009	11,665,000	5.00	3.07	2016	8,225,000	5.25	3.98

The Bonds are being offered when, as and if issued and subject to the legal opinion of Hawkins, Delafield & Wood, New York, New York, and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel. In addition, certain legal matters will be passed upon for the Underwriters by Michael Best & Friedrich LLP, Milwaukee, Wisconsin. It is anticipated that the Bonds will be available for delivery to DTC on or about October 25, 2002.

The scheduled payment of principal of and interest on the **2006 through 2016 maturities of the Bonds**, when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by FINANCIAL SECURITY ASSURANCE INC.



THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THIS ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

For Further Information Contact:

W. Martin Morics, City Comptroller and Secretary to the Public Debt Commission
Room 404, City Hall - 200 East Wells Street - Milwaukee, Wisconsin 53202 - Phone (414) 286-2301

Bear, Stearns & Co. Inc.

Stifel, Nicolaus & Co., Inc.

Loop Capital Markets, LLC

U.S. Bancorp Piper Jaffray

October 8, 2002

No dealer, broker, salesperson or other person has been authorized by the City of Milwaukee to give any information or to make any representation other than as contained in this Official Statement in connection with the sale of these securities and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities by a person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Milwaukee since the date hereof.

These securities have not been registered pursuant to the Securities Act of 1933, in reliance upon exemptions contained in such Act.

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INTRODUCTION TO THE OFFICIAL STATEMENT

The purpose of this Official Statement, including the cover page, and Appendices, is to set forth certain information concerning the City of Milwaukee (the “City”), located in Milwaukee County, Wisconsin, and to set forth information concerning the \$159,985,000 General Obligation Refunding Bonds, Series of 2002-A to be issued by the City (hereinafter defined as the “Bonds”).

The following summary statement is furnished solely to provide limited introductory information regarding the City’s Bonds, and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the Appendices hereto.

SUMMARY STATEMENT

The following material is supported, where required, by the detailed information and financial statements appearing in this Official Statement, including the Appendices hereto.

Issuer: City of Milwaukee, Wisconsin.

Issue: \$159,985,000 General Obligation Refunding Bonds, Series of 2002-A.

Dated Date: October 15, 2002.

Maturity: September 1 as shown below.

Amounts and Maturities:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2003	\$5,220,000	2010	\$17,505,000
2004	8,680,000	2011	23,675,000
2005	6,255,000	2012	21,720,000
2006	2,425,000	2013	14,715,000
2007	2,295,000	2014	16,715,000
2008	6,460,000	2015	14,430,000
2009	11,665,000	2016	8,225,000

Interest Payment Dates: Each March 1 and September 1 commencing March 1, 2003.

Denominations: \$5,000 or integral multiples thereof.

Purpose: The Bonds are being issued to current and advance refund certain outstanding general obligations of the City. (See “THE REFUNDING PLAN” herein).

Security: Principal and interest on the Bonds will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.

Authority for Issuance: The Common Council of the City has authorized the issuance and sale of the Bonds in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.

Form of Issuance:	The Bonds will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the Bonds. (See “BOOK-ENTRY-ONLY SYSTEM” herein).	
Tax Status of Interest:	Under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. (See “TAX STATUS” herein).	
Redemption Feature:	The Bonds are not subject to redemption prior to maturity. (See “REDEMPTION PROVISIONS” herein.)	
Professionals:	Bond Counsel:	Hawkins, Delafield & Wood New York, New York
		Quarles & Brady LLP Milwaukee, Wisconsin
	Underwriter’s Counsel:	Michael Best & Friedrich LLP Milwaukee, Wisconsin
	Financial Advisor	Robert W. Baird & Co. Milwaukee, Wisconsin
	Senior Managers:	Bear, Stearns & Co. Inc. New York, New York
		Loop Capital Markets, LLC Chicago, Illinois
	Co-Managers:	Stifel, Nicolaus & Co., Inc. Brookfield, Wisconsin
		U.S. Bancorp Piper Jaffray Milwaukee, Wisconsin
	Independent Auditors:	KPMG LLP Milwaukee, Wisconsin
	Verification Agent:	McGladrey & Pullen, LLP Minneapolis, Minnesota
	Escrow Agent:	Marshall & Ilsley Trust Company, N.A. West Bend, Wisconsin

Delivery: Delivery of the Bonds will be on or about October 25, 2002 at the expense of the City of Milwaukee, through the facilities of The Depository Trust Company, New York, New York.

Continuing Disclosure Certificate: In order to assist the Senior Managers and the Co-Managers (collectively, the “Underwriters”) in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City’s contractual obligation arising from its acceptance of the Underwriters proposal, at the time of the delivery of the Bonds the City will provide an executed copy of its Continuing Disclosure Certificate. (See “RULE 15c2-12” herein).

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THE BONDS

AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to Chapters 65 and 67, of the Wisconsin Statutes for the purpose of current and advance refunding certain outstanding general obligations of the City so as to realize debt service savings, and to pay the associated financing costs. The Common Council of the City adopted an authorizing resolution on August 1, 2002 as amended on September 24, 2002, which authorizes the issuance of the Bonds.

THE REFUNDING PLAN

The Bonds are being issued to current and/or advance refund portions of certain outstanding obligations of the City (the "Refunded Bonds") as described below:

Issue or Series	Redemption Date	Maturity Date	Principal Amount
General Obligation Corporate Purpose Bonds, Series C	12/15/2002	06/15/2003	\$1,835,000
	12/15/2002	06/15/2004	1,835,000
			<u>\$3,670,000</u>
General Obligation Promissory Notes, Series C5	11/15/2002	11/15/2003	\$260,000
	11/15/2002	11/15/2004	265,000
	11/15/2002	11/15/2005	<u>265,000</u>
			<u>\$790,000</u>
General Obligation Corporate Purpose Bonds, Series CB	06/15/2003	06/15/2004	\$1,825,000
	06/15/2003	06/15/2005	<u>1,830,000</u>
			<u>\$3,655,000</u>
General Obligation Corporate Purpose Bonds, Series CB(2)	12/15/2003	12/15/2004	\$1,200,000
	12/15/2003	12/15/2005	<u>1,205,000</u>
			<u>\$2,405,000</u>
General Obligation Corporate Purpose Bonds, Series D	11/15/2002	11/15/2003	\$1,625,000
	11/15/2002	11/15/2004	1,630,000
	11/15/2002	11/15/2005	1,635,000
	11/15/2002	11/15/2006	<u>1,635,000</u>
			<u>\$6,525,000</u>

(Table of Refunded Bonds continues on following page)

THE REFUNDING PLAN, CONT'D

Issue or Series	Redemption Date	Maturity Date	Principal Amount
General Obligation Corporate Purpose Bonds, Series F	11/15/2006	11/15/2007	\$2,220,000
	11/15/2006	11/15/2008	2,230,000
	11/15/2006	11/15/2009	2,235,000
	11/15/2006	11/15/2010	2,240,000
	11/15/2006	11/15/2011	2,245,000
	11/15/2006	11/15/2012	165,000
	11/15/2006	11/15/2013	175,000
	11/15/2006	11/15/2014	180,000
	11/15/2006	11/15/2015	190,000
	11/15/2006	11/15/2016	200,000
			<u>\$12,080,000</u>
General Obligation Corporate Purpose Bonds, Series G	06/15/2007	06/15/2008	\$2,305,000
	06/15/2007	06/15/2009	2,305,000
	06/15/2007	06/15/2010	2,305,000
	06/15/2007	06/15/2011	2,300,000
	06/15/2007	06/15/2012	2,300,000
			<u>\$11,515,000</u>
General Obligation Corporate Purpose Bonds, Series J	12/01/2007	12/01/2008	\$2,040,000
	12/01/2007	12/01/2009	2,050,000
	12/01/2007	12/01/2010	2,050,000
	12/01/2007	12/01/2011	2,060,000
	12/01/2007	12/01/2012	2,070,000
	12/01/2007	12/01/2013	210,000
	12/01/2007	12/01/2014	220,000
	12/01/2007	12/01/2015	235,000
	12/01/2007	12/01/2016	245,000
			<u>\$11,180,000</u>
General Obligation Corporate Purpose Bonds, Series K	06/15/2008	06/15/2009	\$3,280,000
	06/15/2008	06/15/2010	3,295,000
	06/15/2008	06/15/2011	3,315,000
	06/15/2008	06/15/2012	3,325,000
	06/15/2008	06/15/2013	3,345,000
	06/15/2008	06/15/2014	440,000
	06/15/2008	06/15/2015	460,000
			<u>\$17,460,000</u>

(Table of Refunded Bonds continues on following page)

THE REFUNDING PLAN, CONT'D

Issue or Series	Redemption Date	Maturity Date	Principal Amount
General Obligation Corporate Purpose Bonds, Series L	12/15/2008	12/15/2009	\$2,150,000
	12/15/2008	12/15/2010	2,190,000
	12/15/2008	12/15/2011	2,235,000
	12/15/2008	12/15/2012	2,285,000
	12/15/2008	12/15/2013	2,340,000
	12/15/2008	12/15/2014	1,290,000
	12/15/2008	12/15/2015	1,345,000
	12/15/2008	12/15/2016	1,225,000
			<u>\$15,060,000</u>
General Obligation Corporate Purpose Bonds, Series O	06/15/2009	06/15/2010	\$2,900,000
	06/15/2009	06/15/2011	2,915,000
	06/15/2009	06/15/2012	2,930,000
	06/15/2009	06/15/2013	2,945,000
	06/15/2009	06/15/2014	2,955,000
	06/15/2009	06/15/2015	355,000
	06/15/2009	06/15/2016	360,000
			<u>\$15,360,000</u>
General Obligation Corporate Bonds, Series P	12/15/2009	12/15/2010	\$3,130,000
	12/15/2009	12/15/2011	3,145,000
	12/15/2009	12/15/2012	3,170,000
			<u>\$9,445,000</u>
General Obligation Corporate Purpose Bonds, Series R	09/01/2010	09/01/2011	\$6,290,000
	09/01/2010	09/01/2012	6,305,000
	09/01/2010	09/01/2013	6,320,000
	09/01/2010	09/01/2014	6,335,000
	09/01/2010	09/01/2015	6,355,000
	09/01/2010	09/01/2016	420,000
			<u>\$32,025,000</u>

(Table of Refunded Bonds continues on following page)

THE REFUNDING PLAN, CONT'D

Issue or Series	Redemption Date	Maturity Date	Principal Amount
1996 State Trust Fund Loan-9005	03/15/2003	03/15/2004	\$597,079
			<u>\$597,079</u>
1996 State Trust Fund Loans-9006	03/15/2003	03/15/2004	\$587,748
	03/15/2003	03/15/2005	621,733
			<u>\$1,209,481</u>
1996 State Trust Fund Loans-9007	03/15/2003	03/15/2004	\$625,828
	03/15/2003	03/15/2005	662,126
	03/15/2003	03/15/2006	700,199
			<u>\$1,988,153</u>
General Obligation Corporate Purpose Bonds, Series T	09/01/2011	09/01/2014	\$5,910,000
	09/01/2011	09/01/2015	5,985,000
	09/01/2011	09/01/2016	6,060,000
			<u>17,955,000</u>
		TOTAL	<u>\$162,919,713</u>

Upon delivery of the Bonds, the City will enter into a refunding escrow agreement (the "Escrow Agreement") with Marshall & Ilsley Trust Company, N.A., West Bend, Wisconsin. The Escrow Agreement creates an irrevocable escrow fund (the "Escrow Fund"), which is to be held by the Escrow Agent and is to be applied to the payment of the principal, interest and redemption premium on the Refunded Bonds to their respective redemption dates. The City will deposit proceeds of the Bonds in the Escrow Fund which together with earnings thereon and monies made available by the City represents the total escrow defeasance requirements of the Refunded Bonds and which will be invested in securities which may include direct obligations of or obligations, the principal of and interest on which are guaranteed by, the United States, as well as obligations of any agency or instrumentality of the United States (the "Securities"), maturing in amounts and bearing interest at rates sufficient without reinvestment (i) to pay the interest on the Refunded Bonds through their respective redemption dates, and (ii) to redeem the Refunded Bonds on such redemption dates at their respective redemption prices. The Refunded Bonds will be irrevocably designated for redemption, and provision has been made in the Escrow Agreement for the giving of notice of such redemption. The Refunded Bonds may not be redeemed other than as described above. The Securities will be purchased in the open market or from the United States Government at interest rates which will cause the yield thereon, computed in accordance with the provisions of Section 148 of the Internal Revenue Code of 1986, as amended and applicable regulations, not to exceed the yield permitted by the Code. The Escrow Fund, including the interest earnings on the Securities, in the amount needed to pay principal, interest and redemption premium on the Refunded Bonds is pledged solely for the benefit of the holders of the Refunded Bonds.

SECURITY FOR THE BONDS

The Bonds shall be general obligations of the City, and payment thereof is secured by a pledge of the full faith and credit of the City. The City is authorized and required to levy on all taxable property in the City such ad-valorem taxes, without limitation as to rate or amount, as may be necessary to meet the debt service requirements on the Bonds.

Under and by virtue of Section 67.05(10), Wisconsin Statutes, the City is obligated to levy a direct annual tax sufficient in amount to pay and for the express purpose of paying the interest on such Bonds as it falls due, and also to pay and discharge the principal thereof at maturity. The City is, and shall be, without power to repeal such levy or obstruct the collection of such tax until all such payments have been made or provided for.

Under Section 67.035, Wisconsin Statutes, all taxes levied for paying principal and interest on valid bonds or notes are declared to be without limitation. Under Section 65.06(18), Wisconsin Statutes, the omission from the budget of the payment of interest on or the principal of any bonded debt of the City when due shall not prevent the placing of the same on the tax roll for the levy and the collection of the tax and the payment of the money therefor.

MATURITY AND INTEREST RATES

The Bonds are to be dated October 15, 2002 and will bear interest from that date at the rates, and shall mature each September 1 in the amounts and on the dates as set forth on the front cover page of this Official Statement. Interest on the Bonds will be payable on March 1, 2003 and thereafter semiannually on March 1 and September 1 of each year and is calculated on the basis of 30-day months and a 360-day year.

REDEMPTION PROVISIONS

The Bonds are not subject to redemption prior to maturity.

STATUTORY BORROWING LIMITATION

Wisconsin Statutes limit direct general obligation borrowing the City may issue. The Bonds are within these limitations. (See "DEBT STRUCTURE" herein for further details).

BOOK-ENTRY ONLY SYSTEM

The information contained in the following paragraphs of this subsection “Book-Entry Only System” has been extracted from a document prepared by The Depository Trust Company (“DTC”) entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE.” The City makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC, New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of The City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

NEITHER THE CITY, THE PAYING AGENT NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE BONDS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE BONDS; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF BONDS.

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INVESTMENT POLICIES

The City may invest any of its funds not immediately needed in accordance with Section 66.04(2) of the Wisconsin Statutes. The City, through Common Council Resolution 930358, adopted July 6, 1993, has instructed the City Treasurer to invest City funds, including Milwaukee Public Schools (MPS) funds, in: (a) Certificates of Time Deposit at approved public depositories limited to the equity capital or net worth of the financial institution with collateralization required when total deposits at any institution exceed \$500,000; (b) Repurchase Agreements with public depository institutions; (c) the State of Wisconsin Local Government Investment Pool; (d) U.S. Treasury and Agency instruments and (e) commercial paper which has a rating in the highest or second highest rating category assigned by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Services, Inc., or some other similar nationally recognized rating agency.

To the extent possible, the City Treasurer attempts to match investments with anticipated cash flow requirements. No limits have been placed on how much of the portfolio can be invested in any of the above investment categories.

The State of Wisconsin Investment Board ("SWIB") provides the Local Government Investment Pool as a subset of the State Investment Fund (the "Fund"). The Local Government Investment Pool includes deposits from elective participants consisting of over 1,000 municipalities and other public entities. The Fund also consists of cash balances of participants required to keep their cash balances in the Fund. These required participants include the State General Fund, State agencies and departments and Wisconsin Retirement System reserves. The Local Government Investment Pool portion of the Fund is additionally secured as to credit risk.

SWIB invests the assets of the Fund, which includes assets of the Local Government Investment Pool. Overall policy direction for SWIB is established by an independent, eight-member Board of Trustees (the "Trustees"). The Trustees establish long-term investment policies, set guidelines for each investment portfolio and monitor investment performance.

The objectives of the Fund are to provide (in order of priority) safety of principal, liquidity, and a reasonable rate of return. The Fund includes retirement trust funds cash balances pending longer-term investment by other investment divisions. The Fund also acts as the State's cash management fund and provides the State's General Fund with liquidity for operating expenses. The Fund is strategically managed as a mutual fund with a longer average life than a money market fund. This strategic advantage is made possible by the mandatory investment of State funds for which the cash flow requirements can be determined significantly in advance. Because of the role played by the Fund, the cash balances available for investment vary daily as cash is accumulated or withdrawn from various funds.

The Local Government Investment Pool is a local option City depository. The City utilizes the Local Government Investment Pool in a manner similar to a "money market" account. When other investment options provide more favorable results, such options are utilized. As of June 30, 2002, the City had approximately 96.7% (\$212.2 million) of its and MPS's investments deposited in the Local Government Investment Pool.

A copy of SWIB's annual report may be obtained by submitting a written request to the State of Wisconsin Investment Board, P.O. Box 7842, Madison, WI 53707-7842.

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THE CITY

LOCATION, ORGANIZATION AND GOVERNMENT

GENERAL

The City of Milwaukee is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. Milwaukee is Wisconsin's largest city with a population of 596,000 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Standard Consolidated Metropolitan Statistical Area (SCMSA) consisting of Milwaukee, Waukesha, Washington, Ozaukee, and Racine Counties, has a population of over 1.6 million. This SCMSA is the 24th largest metropolitan area in the United States.

The Port of Milwaukee provides excellent access to the sea lanes of the world. General Mitchell International Airport is served by domestic and international airlines. Five rail lines serve the City and provide transportation links throughout the United States. The City is tied into the interstate highway network through newly resurfaced expressways.

Milwaukee was incorporated as a city on January 31, 1846 pursuant to the laws of the territory of Wisconsin. Wisconsin gained statehood in 1848. The City, in operation under a Home Rule Charter since 1874, provides for a council-mayor form of government.

ELECTED OFFICIALS

The Mayor, City Attorney, Comptroller, Treasurer and Common Council members are elected officials of the City. Local elections are non-partisan. The Mayor, City Attorney, Comptroller and Treasurer are elected at-large for identical four-year terms.

At present, the Common Council represents seventeen Aldermanic districts. Each Alderperson represents, and is elected from, an aldermanic district with a population of approximately 35,000.

CITY OFFICIALS (initial year in office follows name)

Mayor	John O. Norquist	(1988)
City Attorney	Grant F. Langley	(1984)
City Comptroller	W. Martin Morics	(1992)
City Treasurer	Wayne F. Whittow	(1976)

COMMON COUNCIL

Marvin E. Pratt	(1987)	Rosa Cameron	(2000)
Terrance Herron	(2000)	Joseph A. Dudzik	(2002)
Michael S. D'Amato	(1996)	Angel Sanchez	(2000)
Paul A. Henningsen	(1983)	Jeffrey A. Pawlinski	(1996)
James A. Bohl, Jr.	(2000)	Suzanne M. Breier	(1992)
Marlene E. Johnson-Odom	(1980)	Thomas G. Nardelli	(1986)
Fredrick G. Gordon	(1992)	Michael J. Murphy	(1989)
Robert G. Donovan	(2000)	Willie L. Hines, Jr.	(1996)
Donald F. Richards	(1988)		

The terms of all the above elected positions expire in April, 2004.

PUBLIC SERVICES AND FACILITIES

The City, employing approximately 8,700 people (some in a seasonal capacity), is charged with primary responsibility for public safety (via its police, fire and health departments); public works (including refuse removal and a City owned water utility); various cultural and recreational services including a library system; and, general municipal administration. General obligation and revenue backed debt issuance is available to the City. City government also participates in housing and neighborhood programs through separate Housing and Redevelopment Authorities. These two latter Authorities have the ability to borrow using revenue backed financings.

Other major local governmental units and their related government services are the Milwaukee Public Schools (education); Milwaukee County (parks, airport/mass transit/highways, social services and court system); Milwaukee Metropolitan Sewerage District (wastewater treatment); and, the Milwaukee Area Technical College (higher education). Wisconsin Statutes require Milwaukee Public School purpose debt to be issued by the City. The remaining governmental units cited each retain the statutory authority to issue general obligation debt.

Two special purpose governments exist with the ability to issue debt and tax on a limited revenue basis. The first is the Southeastern Wisconsin Professional Baseball District (the "District"), a public entity created by State legislation encompassing five southeastern Wisconsin counties, to finance construction/operations of a new baseball facility ("Miller Park") for the National League Milwaukee Brewers baseball club. Miller Park successfully opened in March, 2001. The District has issued \$199 million of revenue bonds supported by a five-county, one-tenth of one percent sales tax and other ancillary revenue streams. In addition, \$45 million of lease certificates of participation have been sold to finance acquisition and installation of facility equipment, scoreboards, etc. (See "DEBT STRUCTURE - FUTURE FINANCING" for additional information).

The second special purpose government is the Wisconsin Center District which oversees construction/operation of the Midwest Express Center, Milwaukee's major convention complex. This complex also includes the existing Arena and Auditorium facilities, formerly known as "MECCA". The Midwest Express Center is being financed by \$215 million of revenue bonds backed by dedicated sales tax revenues from the lodging, restaurant, and vehicle rental areas. Phase one of the Midwest Express Center was completed during 1998. Phase two was completed in 2000.

In addition to the facilities noted above, Milwaukee is home to a modern 17,000+ seat indoor sports and concert venue, the Bradley Center, located in the heart of downtown. This facility serves the National Basketball Association Milwaukee Bucks, the Marquette University Golden Eagles basketball team, the Milwaukee Admirals International Hockey League club, and the Milwaukee Wave professional soccer team. Milwaukee also boasts a Lakefront Art Center as well as major symphony, ballet companies, theatre and other performing arts.

May 4, 2001, marked the unveiling of phase one of Milwaukee Art Museum's new expansion and renovation, which combines art, dramatic architecture and landscape design. The new Quadracci Pavilion, the first Santiago Calatrava-designed building in the United States, features a 90-foot high glass-walled reception hall enclosed by the Burke Brise Soleil, a sunscreen that can be raised or lowered creating a unique moving sculpture.

Finally, the Milwaukee area is the site of a number of higher education institutions, including Marquette University, the University of Wisconsin – Milwaukee, Alverno College, Mount Mary College and the Milwaukee School of Engineering.

EMPLOYEE RELATIONS

Approximately 6,750 of the City's 8,000 full-time employees are members of bargaining units represented by nineteen unions. The City is currently negotiating with four bargaining units for contracts to be effective January 1, 2001. These negotiations have not yet been concluded. The City has settled voluntarily with fifteen bargaining units for 2001-2002. Previously, for the years 1999-2000, eighteen bargaining units settled voluntarily and one, the Milwaukee Police Association (MPA), was decided using interest arbitration.

GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

GENERAL

The City, with a population of 596,000, represents approximately 40 percent of the population of the greater metropolitan area. Population in the four county retail trade area surrounding Milwaukee is 1,500,700 and represents 28% of the population of the State of Wisconsin. Based on the last U.S. Census, over 60 percent of metropolitan Milwaukee's population is comprised of residents within the working ages of 18 to 64. Forty-nine percent of the Milwaukee SMSA (Milwaukee, Washington, Waukesha and Ozaukee Counties) residents are under the age of 35.

The City of Milwaukee's effective buying income is approximately \$8.6 billion, 30 percent of the total effective buying income in the four county metro Milwaukee area. In Milwaukee, 24 percent of City households earn between \$20,000 and \$35,000 per year; 18 percent earn between \$35,000 and \$50,000 per year and 27 percent earn over \$50,000 per year. The age distribution of the population of the City of Milwaukee is 10 percent between 18 and 24 years old; 14 percent between 25 and 34 years old; 21 percent between 35 and 49 years old and 23 percent are 50 years or older.

CITY OF MILWAUKEE SELECTED ECONOMIC DATA

	<u>Population⁽¹⁾</u>	<u>Per Capita Average Income</u>	<u>Per Capita Household Income</u>	<u>Per Capita Equalized Value</u>
1997	612,740	\$13,219	\$34,271	\$25,315
1998	610,654	13,436	34,839	26,575
1999	608,150	13,780	35,830	27,462
2000	605,572	14,170	36,830	28,641
2001	595,508	N/A	N/A	32,667

- (1) The population figures are derived through estimates from the Wisconsin Department of Revenue for use in the distribution of State Shared Revenues.

Sources: Derived from data contained in Sales and Marketing Management magazine as reported for the appropriate year. Certain data for 2001 is currently unavailable. Other sources include the Bureau of Census; Wisconsin Department of Revenue; Metropolitan Milwaukee Association of Commerce and the City of Milwaukee Division of Economic Development.

BUILDING PERMITS

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 1997 through July 2002.

General Total

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1997	\$319,410,366	2,318
1998	246,033,955	2,408
1999	332,184,632	2,429
2000	281,978,437	2,448
2001	388,613,133	2,752
2002*	176,851,944	1,614

Residential Building

<u>Year</u>	<u>Single Family</u>		<u>Multi-Family</u>		<u>Total</u>		<u>Permits Issued</u>
	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	
1997	\$8,292,100	80	\$19,219,402	265	\$27,511,502	345	112
1998	6,781,406	67	38,475,720	522	45,257,126	589	97
1999	9,489,837	84	10,951,700	119	20,441,537	203	109
2000	13,501,445	113	21,682,808	239	35,184,253	352	137
2001	17,597,336	141	81,508,896	401	99,106,232	542	168
2002*	9,989,130	80	32,434,000	400	42,423,130	480	108

Commercial Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1997	\$161,478,796 ⁽¹⁾	86
1998	68,042,140	79
1999	128,343,915	95
2000	99,967,923	88
2001	106,537,251	99
2002*	26,502,600	52

Public Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1997	\$46,502,536	170
1998	25,046,871	191
1999	30,726,416	145
2000	43,153,279	181
2001	64,534,354	406
2002*	14,802,019	68

Alterations And Additions

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1997	\$83,917,532	1,950
1998	107,687,818	2,041
1999	152,672,764	2,080
2000	103,672,982	2,042
2001	118,435,296	2,079
2002*	93,124,195	1,386

* January through July 2002 inclusive.

(1) Includes Midwest Express Center.

Note: Miller Park, the City's new major league baseball venue, was completed in March 2001. This \$350 + million project is not incorporated within the above schedules.

Sources: Development Center, Department of City Development. Data accumulated from monthly reports submitted to U.S. Department of Commerce, Bureau of the Census, Construction Statistics Division, Washington D.C.

BANK DEPOSITS

The following table illustrates a five year history of bank deposits for the largest banks in the City. (In Thousands of Dollars)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Bank One, Milwaukee, N.A.	\$5,816,324 ⁽¹⁾	\$5,297,707	\$4,262,523	\$4,397,409	\$4,398,040
U.S. Bank, N.A. ⁽²⁾	4,735,862	5,730,006	--	--	--
M & I Marshall & Ilsley Bank	5,520,720	6,206,362	5,245,384	8,623,224	18,244,031
Wells Fargo Bank Wisconsin, N.A.	1,513,210	1,673,894	1,667,542	1,803,846	1,992,708
TCF National Bank Wisconsin	485,644 ⁽³⁾	484,226	439,957	452,798 ⁽⁴⁾	--
Mutual Savings Bank	1,385,000	1,416,685	1,355,566	1,343,013	1,479,372
Park Bank	365,924	400,758	390,147	445,397	433,965
Associated Bank Milwaukee ⁽⁵⁾	611,250	698,472	1,929,558	1,918,455	--

- (1) Total deposits for Bank One, Wisconsin. As of December 7, 1996, all 14 of the Bank One charters in Wisconsin merged into one charter. Bank deposits for all Bank One offices in the state are combined and reported as one amount under the name Bank One, Wisconsin. As a result, bank deposits for Bank One offices in the City of Milwaukee are not available for year-end 1996 and later.
- (2) Firststar Bank, Milwaukee, N.A. was purchased by U.S. Bank of Minneapolis, Minnesota, effective January 1, 2002.
- (3) TCF, formerly known as TCF Bank Wisconsin, FSB, received its charter as a national bank on April 7, 1997.
- (4) TCF National Bank Wisconsin data as of December, 2000. TCF National Bank Wisconsin merged with TCF National Bank, Minneapolis, Minnesota during 2000.
- (5) Associated Bank Milwaukee merged into Associated Bank Green Bay, N.A. on April 20, 2001.

Source: State of Wisconsin Office of Commissioner of Banking, June 2002.

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**LEADING BUSINESS AND INDUSTRIAL FIRMS
LOCATED WITHIN MILWAUKEE COUNTY**

The listing of large employers in Milwaukee County which follows, reveals the diversity of Milwaukee County's economic base. The largest of these are shown in the following list, which includes only employers with the majority or all of their employment in Milwaukee County.

<u>Employer</u>	<u>2001⁽¹⁾ Employment</u>	<u>Type of Business or Service</u>
Milwaukee Public Schools	11,704	Education
Aurora Health Care	10,924	Health Care
City of Milwaukee	7,650	Government
U.S. Government (Excludes V.A. Medical Center)	7,542	Government
Milwaukee County	6,897	Government
Covenant Health Care	5,689	Health Care
M&I Marshall & Ilsley	5,101	Holding company banking/finance and data services
Northwestern Mutual Life	4,144	Insurance
University of Wisconsin-Milwaukee	4,104	Education
Rockwell Automation (formerly Allen-Bradley)	3,740	Manufacturer, electrical/electronic products
Medical College of Wisconsin	3,511	Medical school/academic/health care
WE Energies	3,300	Electric/natural gas utility
Columbia-St. Mary's	3,212	Health Care
Froedtert Memorial Hospital	3,150	Health Care
Briggs and Stratton	3,004	Manufacturer, small engines, automotive locks and keys
US Bank (formerly Firstar Corporation)	2,790	Finance, banking
Harley Davidson, Inc.	2,300	Manufacturer, motorcycles
Children's Hospital of Wisconsin	2,000	Health care
Johnson Controls, Inc.	1,981	Manufacturer, of electronic control systems, automobile interior modules
Miller Brewing Company	1,870	Manufacturer of beer and aluminum containers
Fortis	1,831	Health care
Delphi Automotive Systems (General Motors)	1,829	Manufacturer, automotive electronic engine control modules, catalytic converters, and automotive electronic chassis control modules
Marquette University	1,700	Education
Journal Communications	1,555	Publishing, printing and broadcasting

Note: Data reflects full-time equivalent employees.

- (1) Two employers appeared on the 2000 list that do not appear on the 2001 list. Tower Automotive participated in the Milwaukee County Employee Survey in prior years, but as of May 24, 2002 had not submitted a response.

In May 2001, the Marcus Corporation sold its Restaurant Division. In addition, the impact of the September 11, 2001 event has had a negative impact on its other divisions (Baymont Inns and Marcus Hotels and Resorts). The result has been a decrease of 1,292 in the number of Marcus Corporation employees

Source: Milwaukee County Department of Administration January 2002 survey of local employment, as supplemented.

EMPLOYMENT AND INDUSTRY

During the first seven months of 2002, the City's unemployment rate averaged 8.9%. Presented below are annual unadjusted unemployment rates for the City of Milwaukee, as compared to the State of Wisconsin and the United States for the period 1997 through July, 2002.

	<u>City of Milwaukee</u>	<u>State of Wisconsin</u>	<u>United States</u>
2002* (7 months)	8.9%	4.7%	5.7%
2001	7.4	4.3	4.8
2000	5.9	3.3	4.0
1999	4.9	3.1	4.2
1998	4.8	3.2	4.5
1997	5.2	3.5	4.9

Source: Wisconsin Department of Workforce Development and U.S. Bureau of Labor Statistics.

*January 2002 through July 2002, both inclusive.

Milwaukee's economic structure reveals a diversified economy with strong service and manufacturing sectors. The service sector (service, finance, insurance, real estate and retail trade) employs over 65 percent of the workforce. Manufacturing firms employ 20 percent of the work force. The area is not dominated by any large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance and services have more than 500 employees.

CITY OF MILWAUKEE ESTABLISHMENTS AND EMPLOYMENT BY INDUSTRY GROUP 1997 – 2001

Industry Group	<u>Number of Establishments</u>					<u>Employment</u>				
	1997	1998	1999	2000	2001	1997	1998	1999	2000	2001
Agriculture	111	109	109	108	108	670	746	750	816	700
Construction	831	828	822	826	752	8,224	8,035	8,134	8,318	7,847
Manufacturing	1,075	1,060	1,041	1,004	986	61,913	59,536	56,591	55,660	50,893
Transportation & Communications	601	588	580	597	574	18,533	18,645	16,456	16,704	14,944
Wholesale Trade	1,280	1,238	1,173	1,120	1,107	20,216	20,201	20,551	20,129	18,800
Retail Trade	2,748	2,636	2,626	2,637	2,579	43,319	42,856	43,661	43,309	42,337
Finance, Insurance & Real Estate	1,361	1,377	1,290	1,237	1,339	34,006	33,344	35,370	33,314	32,760
Services	6,412	6,533	6,107	5,862	6,084	123,166	127,280	140,006	143,968	140,365
Totals	<u>14,419</u>	<u>14,369</u>	<u>13,748</u>	<u>13,391</u>	<u>13,529</u>	<u>310,047</u>	<u>310,643</u>	<u>321,519</u>	<u>322,218</u>	<u>308,646</u>

Source: Wisconsin Department of Workforce Development.

TEN LARGEST TAXPAYERS WITH 2001 ASSESSED VALUATIONS ⁽¹⁾

First Security Bank	\$197,382,680
Northwestern Mutual Life Insurance Company (Insurance)	166,879,240
Teachers Insurance & Annuity Association of America (Real Estate Investment)	103,316,000
Towne Realty (Real Estate)	82,697,410
Marcus Corp. (Hotels, Motels, Restaurants)	75,214,150
Great Lakes REIT (Real Estate Investment)	68,094,760
Miller Brewing Company (Brewing)	65,832,300
Metropolitan Associates (Real Estate Investment)	63,591,710
Allen Bradley (Manufacturing)	56,648,600
100 East Wisconsin Joint Venture (Real Estate Investment)	55,166,270

(1) The above assessed values represent an equalization ratio of 93.37% to full value as determined by the Wisconsin Department of Revenue. (2001 Assessments for 2002 Purposes.)

Source: City of Milwaukee, Assessor's Office.

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DEBT STRUCTURE

The City of Milwaukee has never defaulted in the payment of the principal or interest on its debt obligations, nor has the City issued any refunding securities for the purpose of preventing default in principal or interest on its debt obligations.

LEGAL DEBT LIMITATIONS

Section 67.03 of the Wisconsin Statutes limits direct general obligation borrowing to an amount equivalent to five percent of the equalized valuation of taxable property. Section 119.49 of the Wisconsin Statutes further authorizes referendum approved bonding in an additional amount equivalent to two percent of the equalized taxable property for school capital purposes. Such debt margins, as of September 15, 2002, are calculated upon the 2002 City equalized valuation for 2003 purposes of \$20,185,033,000. The available five percent debt margin for City borrowing is \$346,768,048 or 34.4% remaining for future debt issuance. The available two percent debt margin for school capital purposes is \$403,700,660, or 100% remaining for future debt issuance. Together, as detailed below, "Total Debt Margin" equals \$750,468,708 or 53.1%.

DEBT MARGIN

(Prior to the issuance of the G.O. Refunding Bonds)

2002 Equalized Value of Taxable Property in the City		<u>\$ 20,185,033,000</u>
Legal Debt Limitation		
5% of Equalized Value for City Borrowing	\$ 1,009,251,650	
2% of Equalized Value for School Borrowing	<u>\$ 403,700,660</u>	
		\$ 1,412,952,310
General Obligation Debt Outstanding as of September 15, 2002	\$ 685,953,602	
Less: Provision for 2002 Maturities	<u>\$ 23,470,000</u>	
Net General Obligation Debt Outstanding as of September 15, 2002		<u>\$ 662,483,602</u>
Total Debt Margin (In Dollars)		<u>\$ 750,468,708</u>
(As a Percentage)		53.1%

DEBT REFUNDED

The City issued \$43,065,000 General Obligation Refunding Bonds, Series of 1992 dated February 1, 1992 for the purpose of refunding portions of four general obligation bond issues. In addition, the City issued \$65,525,000 General Obligation Refunding Bonds, Series of 1993 dated April 1, 1993 for the purpose of refunding portions of nine general obligation bond issues. The City has also issued \$75,460,000 General Obligation Refunding Bonds, Series of 1996, dated February 1, 1996 for the purpose of refunding additional portions of thirteen general obligation bond issues. Finally, the City issued \$30,725,000 General Obligation Refunding Bonds (Series of 2001-A and Series of 2001-B) dated July 1, 2001 for the purpose of refunding additional portions of five general obligation bond issues. The City has entered into Escrow Agreements with Bank One Wisconsin Trust Company related to the Series of 1992 Bonds; U.S. Bank Trust, N.A. (formerly First Trust, N.A.), related to the Series of 1993 Bonds; Wells Fargo Bank Wisconsin, N.A. (formerly Norwest Bank Wisconsin, N.A.), related to the Series of 1996 Bonds; and Associated Trust Company, N.A. related to the Series of 2001 Bonds all for the purpose of securing the payment of principal and interest on the refunded issues. None of the refunded debt is reflected in the "Debt Margin" presentation above.

**ANALYSIS OF GENERAL OBLIGATION DEBT
OUTSTANDING AS OF SEPTEMBER 15, 2002**

SERIAL BONDS

Tax Increment Districts	\$95,822,892
Schools	94,434,256
Street Improvements	90,609,572
Sewers	75,388,862
Public Buildings	57,626,709
Police Facilities	48,686,214
Water Improvements	45,007,514
Blight Elimination, Slum Clearance and Urban Renewal	26,092,719
Special Assessment Financing	23,222,757
Parking Facilities	19,368,129
Bridges	13,358,506
Playgrounds and Recreational Facilities	9,184,735
Library	8,501,735
Fire Engine Houses	7,367,331
Harbor Improvements	3,413,684
Economic Development	909,740
Industrial Land Bank	398,431
Resource Recovery Project	129,711
Convention Complex	123,588
Lakefront Development	52,948
City Hall and Annex Renovation	14,626
Bridges and Buildings Field Headquarters	2,981
Municipal Garage	2,904
Forestry/Sanitation Field Headquarters	2,613
Sanitation	1,444
Safety Academy	399
TOTAL BONDS OUTSTANDING	\$619,725,000

SERIAL NOTES

Finance Real & Personal Property Tax Receivables	\$22,645,000
Schools	17,664,216
FMIS Replacement Project	13,566,986
Parking Facilities	4,816,806
Municipal Expenses	4,077,580
Public Buildings	3,180,482
Grant & Aid Projects	277,532
TOTAL NOTES OUTSTANDING	\$66,228,602
TOTAL GENERAL OBLIGATION DEBT OUTSTANDING AS OF SEPTEMBER 15, 2002	\$685,953,602

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

The following indicates the annual requirements of principal and interest on the general obligation debt of the City of Milwaukee.

Year	General Obligation Debt Service Requirements Prior to the issuance of the Bonds	Less: Refunded Debt Service	Plus: Series of 2002-A Debt Service			Total Debt Service Requirements After the issuance of the Bonds
			Principal	Interest	Total	
2002	\$31,772,583	\$2,748,596				\$29,023,987
2003	115,226,558	12,092,930	\$5,220,000	\$6,704,127	\$11,924,127	115,057,755
2004	100,209,586	16,716,637	8,680,000	7,507,113	16,187,113	99,680,062
2005	92,530,839	13,990,568	6,255,000	7,290,113	13,545,113	92,085,383
2006	81,684,447	9,839,535	2,425,000	7,102,463	9,527,463	81,372,374
2007	74,553,255	9,603,960	2,295,000	7,005,463	9,300,463	74,249,757
2008	69,000,342	13,790,335	6,460,000	6,890,713	13,350,713	68,560,719
2009	59,859,030	18,830,705	11,665,000	6,567,713	18,232,713	59,261,037
2010	54,198,184	24,258,593	17,505,000	5,984,463	23,489,463	53,429,054
2011	48,472,372	29,726,793	23,675,000	5,109,213	28,784,213	47,529,792
2012	42,442,025	26,485,160	21,720,000	3,925,463	25,645,463	41,602,327
2013	36,547,546	18,130,726	14,715,000	2,839,463	17,554,463	35,971,283
2014	30,848,119	19,397,392	16,715,000	2,066,925	18,781,925	30,232,652
2015	24,243,279	16,133,678	14,430,000	1,189,388	15,619,388	23,728,989
2016	15,947,773	8,940,388	8,225,000	431,813	8,656,813	15,664,198
2017	10,257,405	—	—	—	—	10,257,405
2018	5,229,008	—	—	—	—	5,229,008
2019	1,457,257	—	—	—	—	1,457,257
Total	<u>\$894,479,608</u>	<u>\$240,685,993</u>	<u>\$159,985,000</u>	<u>\$70,614,427</u>	<u>\$230,599,427</u>	<u>\$884,393,041</u>

TRENDS OF GENERAL OBLIGATION DEBT

The following table indicates the general obligation debt of the City outstanding on December 31st of the year shown.

Debt Service Fund Balance ⁽²⁾				
<u>Dec. 31</u>	<u>General Obligation Debt Outstanding⁽¹⁾</u>	<u>Allocated To Specific Issues⁽³⁾</u>	<u>Unallocated⁽⁴⁾</u>	<u>Debt Less Debt Service Balance ⁽⁶⁾</u>
1997	\$459,797,806	\$8,336,613	\$13,901,387	\$437,559,806
1998	518,401,459	9,691,634	15,249,366	493,460,459
1999	559,098,751	11,253,948	20,068,052	527,776,751
2000	605,239,921	9,623,007	20,812,993	574,803,921
2001	643,382,647	13,391,189	28,745,811	601,245,647
2002 ⁽⁵⁾	685,953,602	9,406,834	21,191,406	655,355,362

- (1) Includes amounts borrowed for Tax Incremental District Program, Parking Program, financing of special assessments, delinquent taxes and water purposes. See "TRENDS OF SELF SUSTAINING GENERAL OBLIGATION DEBT" on the following page for additional information.
- (2) The allocation of the Debt Service Fund balances to specific issues is based upon the debt service due for Tax Incremental Districts, Parking, Special Assessment, Water and Delinquent Tax borrowings as a portion of total debt service. (For further information regarding debt service due for Tax Increment Districts, please see "TAX INCREMENT DISTRICT FINANCING.")
- (3) From Provision for Future Maturities - Principal and Interest.
- (4) From Debt Service Fund Revenues.
- (5) Estimated at September 15, 2002. (Unaudited)
- (6) Debt Service Fund Balance includes amounts that will be used to pay interest on outstanding bonds.

TRENDS OF SELF-SUSTAINING GENERAL OBLIGATION DEBT

Dec. 31	General Obligation Debt Less Debt Service Balance ⁽²⁾	Self-Sustaining General Obligation Debt ⁽¹⁾					Total Self Sustaining Debt	Net General Obligation Debt Less Self- Sustaining Debt ⁽⁶⁾
		TID Program ⁽³⁾	Parking Program	Special Assessments ⁽⁴⁾	Delinquent Taxes ⁽⁵⁾	Water		
1997	\$445,896,419	\$55,188,023	\$16,973,337	\$27,609,606	\$23,855,000	\$47,343,043	\$170,969,009	\$274,927,410
1998	503,152,093	64,899,209	21,532,010	27,912,744	23,195,000	61,981,967	199,520,930	303,631,163
1999	539,030,699	66,836,574	25,399,711	28,560,056	21,950,000	57,373,821	200,120,162	338,910,537
2000	584,426,928	66,078,454	26,981,616	26,299,555	21,225,000	52,611,050	193,195,675	391,231,253
2001	614,636,836	85,095,889	25,557,046	23,882,153	22,430,000	47,857,943	204,823,031	409,813,805
2002 ⁽⁷⁾	664,762,196	95,822,892	24,184,935	23,222,757	22,645,000	45,007,514	210,883,098	453,879,098

- (1) The City defines “Self-Sustaining General Obligation Debt” to include any general obligation debt previously issued whose debt service requirements is currently met with current non-Citywide property tax revenues.
- (2) Unallocated portion only. Allocated Debt Service Fund Balance relates to “Self-Sustaining” Debt categories detailed above.
- (3) See “TAX INCREMENT DISTRICT FINANCING” herein for additional information.
- (4) The Public Debt Commission, as one of its statutory mandates, oversees the portion of the Public Debt Amortization Fund used annually to prepay outstanding debt. The Commissioners of the Public Debt have reserved a portion of this Fund sufficient to make principal and interest payments for all outstanding special assessments purpose debt service to maturity.
- (5) Debt service on securities used to fund delinquent tax is offset completely by remitted delinquent tax payments.
- (6) General Obligation Debt less unallocated Debt Service Balance and less Self-Sustaining Debt on a per capita basis is as follows:

<u>December 31</u>	<u>Debt Per Capita</u>
1997	\$448.69
1998	497.22
1999	557.28
2000	646.05
2001	688.17

- (7) Estimated at September 15, 2002.

**RATIO OF GENERAL OBLIGATION DEBT
To Equalized And Assessed Values And To Per Capita
And Per Capita Incomes For The Years 1997 Through 2001**

<u>Year (12/31)</u>	<u>Population⁽¹⁾</u>	<u>Net Equalized Valuation⁽²⁾</u>	<u>Assessed Valuation</u>	<u>Net General Obligation Debt⁽³⁾</u>	<u>Net General Obligation Debt/Equalized Valuation⁽⁴⁾</u>	<u>Net General Obligation Debt/Assessed Valuation</u>	<u>Net General Obligation Debt Per Capita⁽⁴⁾</u>	<u>Per Capita Income</u>	<u>Net General Obligation Debt/Per Capita Income</u>
1997	612,740	\$15,511,857,400	\$14,914,137,234	\$437,559,806	2.82%	2.93%	\$714.10	\$13,219	5.40%
1998	610,654	16,228,218,000	16,072,114,035	493,460,459	3.04	3.07	808.09	13,436	6.01
1999	608,150	16,701,225,300	15,774,873,167	527,776,751	3.16	3.35	867.84	13,870	6.26
2000	605,572	17,344,251,400	17,582,994,597	574,803,921	3.31	3.27	949.19	14,170	6.70
2001	595,508	19,453,830,200	17,699,784,394	601,245,647	3.09	3.40	1,009.63	N/A	N/A

- (1) The population figures are derived through estimates from the Wisconsin Department of Revenue population used in the distribution of State Shared Revenues.
- (2) Per Wisconsin Department of Revenue, Bureau of Property and Utility Tax.
- (3) See - "TRENDS OF GENERAL OBLIGATION DEBT" herein.
- (4) The Public Debt Amortization Fund may be used to acquire debt prior to maturity. Assuming the year-end unsegregated fund balance had been applied in this manner to debt in 1997 through 2001, the following results would have occurred:

<u>Dec. 31</u>	<u>Debt Percentage Of Equalized Value</u>	<u>Direct Debt Per Capita</u>
1997	2.48%	\$627.43
1998	2.71	721.84
1999	2.89	793.76
2000	3.06	877.44
2001	2.86	936.33

**COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT
SEPTEMBER 15, 2002**

Governmental Unit	Debt Outstanding 9/15/2002	Approximate Percentage Applicable	Milwaukee's Share of Debt As of 9/15/2002
City of Milwaukee ⁽¹⁾	\$662,483,602	100.00%	\$662,483,602
Area Board of Vocational, Technical and Adult Education, District No. 9	77,430,000	38.02	29,438,886
County of Milwaukee	488,769,689	46.51	227,326,782
Milwaukee Metropolitan Sewerage District ⁽²⁾	539,805,069	47.58	256,839,252
TOTAL NET DIRECT AND OVERLAPPING DEBT			<u><u>\$1,176,088,522</u></u>

- (1) Excludes \$94,153,203 of Industrial Revenue Bonds; \$16,029,000 of City of Milwaukee Water Revenue Bonds, Series of 1998 and \$29,095,000 Sewerage System Revenue Bonds, Series 2001. Includes \$103,087,316 general obligation debt outstanding which financed Milwaukee Public Schools improvements.
- (2) Includes \$271,740,069 of low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.

FUTURE FINANCING

No additional general obligation capital financings are anticipated for the remainder of 2002. The first quarter of 2003 is anticipated for issuance of \$100,000,000 to \$120,000,000 City general fund revenue anticipation notes. In addition, the City plans to issue general obligation bonds and notes in the amount of \$12,000,000-\$60,000,000 during the first quarter of 2003.

Issuance of a revenue based debt offering for replacement sewer capital costs is being considered for sale later this year or early 2003.

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REVENUE BONDING

The City and City agencies have issued revenue bonds directly and indirectly. Entities which have issued revenue bonds include the Redevelopment Authority and the Housing Authority. Collectively, the bond programs of the Housing and Redevelopment Authorities complement City financed economic development projects and foster the same development objectives.

Water System Revenue Bonds, Series 1998 - On December 22, 1998, the City and the State of Wisconsin entered into a loan agreement with the City borrowing up to \$19,358,172 under the State of Wisconsin Safe Drinking Water Loan Program for water treatment system improvements. This loan, at a rate of 2.64%, is secured by revenues of the Milwaukee Water Works.

As of September 15, 2002, the amount of \$17,559,338 has been loaned to the City by the State of Wisconsin. The remaining outstanding balance as of September 15, 2002 is \$16,008,876. Debt service on this issuance is anticipated through the year 2018.

Sewerage System Revenue Bonds, Series 2001 – On November 16, 2001, the City sold \$29,095,000 in Sewerage System Revenue Bonds for the purpose of financing the cost of improvements to the City's sewerage system. All bonds remain outstanding as of December 31, 2001. Debt service on this offering is anticipated through the year 2021.

Industrial Revenue Bonding Program - The City of Milwaukee has established guidelines relating to its Industrial Revenue Bonding Program. These guidelines establish criteria for IRB financing. The guidelines delineate that the primary goals of this program are additional tax base, additional jobs or both.

Industrial land, buildings, and machinery and equipment used in the manufacturing process and pollution abatement equipment of new or expanding industries are eligible projects. Since the first IRB issue in 1973, the City has closed 125 issues amounting to approximately \$265 million. The City has no responsibility to either secure or redeem IRB debt, and thus neither guarantees nor lends its own credit to these obligations.

Housing Authority of the City of Milwaukee - The Housing Authority bonds and notes are secured by a lien on all revenues of the Housing Authority Low Income Housing Program. The Housing Authority bonds and notes are not a general obligation of the City nor are they guaranteed by the City. As such, they are not backed by the general credit or taxing powers of the City.

Between the period 1983 and September 15, 2002, the Housing Authority issued revenue bonds of approximately \$149 million of which, approximately \$35 million are still outstanding.

Redevelopment Authority of the City of Milwaukee - The Redevelopment Authority of the City ("Authority") is a public body corporate and politic formed in 1958 by action of the Common Council of the City pursuant to the §66.431, Wisconsin Statutes ("Act").

The Authority has as its purpose the carrying out of blight elimination, slum clearance and urban renewal programs and projects as set forth in the Act, and is authorized under the Act to issue revenue bonds for the financing of such programs and projects and to enter into revenue agreements to provide revenues for the payment of such revenue bonds.

Since its creation, the Authority has provided for the acquisition and improvement of a variety of industrial, commercial, housing and other revenue-producing projects, and, in some instances, has entered into revenue agreements for the financing thereof, pursuant to authorization contained in the Act. In connection with the financing of a number of such projects, the Authority has issued revenue bonds under a number of authorizing resolutions and indentures, each of which contained separate terms and conditions relating to the respective issues of revenue bonds. In each instance, the bonds issued constitute limited obligations of the Authority, and do not constitute an indebtedness of the City or a charge against the City's general credit or taxing power. As of September 15, 2002, the Authority has sold 88 separate issues in the total principal amount of approximately \$595 million. As of September 15, 2002 there remained approximately \$308 million outstanding.

The majority of these issues are supported solely by the revenues of the various projects. While in each instance, the bonds issued constitute limited obligations of the Authority, and do not constitute an indebtedness of the City or a charge against the City's general credit or taxing power; there are certain issues which involve contingent liabilities of the Authority and/or the City and are treated as long-term obligations. These issues are described in more detail below.

In February 2002, the Authority issued \$33,170,000 Revenue Bonds, Series 2002A on behalf of the Milwaukee Board of School Directors ("MBSD") – Neighborhood Schools Initiative. The Authority will lend the bond proceeds to MBSD to partially finance the initial cost of providing approximately 750,000 square-feet of additional classroom capacity for MBSD schools, to implement the Neighborhood Schools Plan and for related activities of MBSD. Under the Agreement, MBSD will repay the principal of and interest on the bonds. MBSD's repayment obligation under the Agreement is payable solely from and secured by a pledge of all intradistrict aid received by MBSD from the State of Wisconsin. The bonds are further secured under a Trust Indenture which includes a financial guaranty insurance policy; all cash and securities held in the Trust Fund and Reserve Fund by the Trustee, including investment earnings; all payments made by MBSD; and any payments received by the Authority from the State's Moral Obligation Pledge (the "Pledge"). The Pledge creates the only financial obligation of the State, which is subject to annual appropriation. Additional borrowings to follow in line with the State's authorization of more than \$98,000,000 are expected for this project.

In September 2001, the Authority issued \$18,545,000 Redevelopment Lease Revenue Bonds (Summerfest Project). Pursuant to the Moral Obligation Pledge set forth in the Cooperation Agreement between the City and the Authority, the Pledge is structured to be consistent with the City's budget process, including a timetable for appropriation by the City's Common Council, the reporting of events of default, and legislative action by the City's Common Council. The Pledge creates only financial obligations of the City which are subject to annual appropriation.

On November 8, 1990, \$47,730,866 Authority revenue bonds were issued on behalf of the Wisconsin Preservation Fund, Inc. to acquire and renovate several facilities for lease and occupancy by Milwaukee Public Schools which utilizes the facilities as middle schools, K-8 elementary schools and various common facilities related to public education. A portion of these bonds were advance refunded in 1993. These revenue bonds do not constitute general obligations of the Milwaukee Board of School Directors ("MBSD") or the City and shall not constitute or give rise to a charge against the MBSD's or the City's taxing powers. MBSD does, however, have an obligation to pay rents under a lease to support the debt service on these revenues bonds. Under the lease, the annual rent payments constitute a budgeted expenditure of MBSD's payable only if funds are budgeted and appropriated annually by the MBSD from its Operations Fund. MBSD's obligations under the lease may be terminated on an annual basis by MBSD if MBSD fails to budget and appropriate for lease payments.

Milwaukee Economic Development Corporation - As of September 15, 2002, the Milwaukee Economic Development Corporation funded loans for 810 small businesses and redevelopment projects in the City utilizing \$139.3 million to leverage a total of \$818.4 million in investment. Five hundred loans are enrolled in the Capital Access Program with covered loan amounts totaling \$14.8 million.

The Milwaukee Economic Development Corporation had notes and debentures payable under the Small Business Administration's section 503 and 504 loan programs in the amount of \$12.8 million as of September 15, 2002.

TAX INCREMENT DISTRICT FINANCING

Five issues of the Redevelopment Authority and Housing Authority involving over \$60 million in bonds have financed projects located within tax incremental districts ("TID"). The City has also financed public improvements and provided grants to the Redevelopment Authority for redevelopment purposes within such Districts through the issuance of its general obligation bonds. Through September 15, 2002, \$208,373,120 has been borrowed for thirty-nine tax incremental districts. Total debt service requirements associated with these debt issues amount to \$328,101,995. Tax increments (net) received through January 31, 2002, total \$201,515,073. Tax increments received by the City historically have been calculated based upon the assessed valuation and the applicable tax levy in the tax increment district. The applicable tax levy includes the public school tax levy rate for Milwaukee Public Schools.

The Wisconsin Legislature has passed a property tax relief measure which increases the portion of statewide school revenues funded by State equalization aid to two-thirds from approximately one-half of all funds' budgets. The 1998 Assessed Tax Rate for Milwaukee Public Schools is \$10.97 per thousand dollars of assessed value, down from \$15.70 in 1995. As a result,

future tax increment revenues to be received by the City will be reduced, and therefore have the impact of either increasing the time needed to recover incurred project costs, including future debt service requirements; reducing the funding of active and proposed TIDs; or may require the City to fund TIDs cash flow deficiencies with other City revenues. Therefore, the Legislature extended the allowable life of all TIDs established before October 1, 1995 from a maximum 23 years to a maximum 27 years to accommodate the lower school property tax rate. In any year in which total TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the general property tax levy.

FINANCIAL INFORMATION

BUDGETING

Each department and agency prepares its own detailed estimate of needs for the ensuing fiscal year which is filed with the Mayor not later than the second Tuesday in May of each year, at which time the Comptroller submits his statement of anticipated non-property tax revenues in accordance with City Charter provisions. Under the City Charter, changes to these non-property tax revenue estimates can be made only by the Comptroller. The Mayor holds hearings on departmental spending requests during July and August at the times and places the Mayor or Common Council by ordinance directs. The Mayor submits a proposed budget to the Common Council on or before September 28th of each year. This budget includes the Comptroller's anticipated non-property tax revenues. Subsequent to receipt of the budget by the Common Council, its Committee on Finance and Personnel reviews the Mayor's proposed expenditure budget. The Mayor and Common Council hold a public hearing on the entire budget no later than the 30th day of October. The Common Council subsequently adopts a property tax levy, but cannot change the Comptroller's anticipated revenues budget. The final budget must be adopted by the 14th of November. The City is under no State or local levy limit strictures with respect to its General, Capital or Debt Service Funds.

CITY CAPITAL IMPROVEMENTS PLAN

The City's 2002-2007 Capital Improvements Plan (CIP) describes planned capital improvement projects and programs together with proposed financing. School purpose improvements financed by the City of Milwaukee for the Milwaukee Public Schools are included in this CIP.

The six-year City CIP municipal spending plan totals \$957.5 million. In addition, the City plans to provide \$59.5 million toward capital improvements for the Milwaukee Public Schools for a six-year total of \$1,017.0 million. About \$890 million or 88 percent of planned municipal and school purpose spending is intended to preserve the City's existing facilities, mainly schools and infrastructure facilities (streets, sewers, alleys, bridges, etc.). The remaining 12 percent is for expansion purposes.

Surface transportation spending will consume about 27 percent of the CIP, or about \$278 million. Twenty-six percent (\$268 million) will be expended on environmental related projects including sewer and water improvements plus forestry and subsurface remediation projects. Just over \$100 million of capital spending (10% of the CIP) is planned for economic development projects through 2007. These projects are mainly Tax Incremental District related or Port of Milwaukee capital improvements. The remaining 37 percent (\$371 million) will be spent for school, health/safety improvements and general governmental purposes. Of the \$60 million in planned school capital improvements, \$57 million is to be dedicated to deferred maintenance, repairs and remodeling projects. An additional \$2.5 million was spent to complete a new Bradley Technical High School.

In addition to school capital spending within the City's Capital Improvements Program, an additional \$98 million is being raised through revenue bonds issued by the City Redevelopment Authority for the construction and expansion of neighborhood schools. An amount of \$33 million has already been issued. These bonds will be repaid with State aid formerly used to pay for school busing. The State also provides a moral obligation pledge to repay the revenue bonds.

The portion of the \$1,017.0 million six-year CIP to be financed by the property tax levy totals about \$478 million (47%). This in turn is composed of direct tax levy funding of \$103 million (10%) and tax levy supported debt financing of \$375 million (37%). Cash revenues including Federal and State grants, developer financing and other sources, total \$122 million (12%) of planned CIP spending. An additional \$75 million is to be financed by City debt to be repaid with tax increment and other revenues, totaling seven percent of total CIP spending. The remaining 34 percent of the municipal purpose CIP is to be financed by self-supported debt issued for special assessments, water, sewer and parking purposes.

In addition to \$12 million in new school purpose borrowing authority, the Adopted 2002 Capital Improvements Budget totals \$167 million, compared to a 2001 Budget of \$191 million. The 2002 total includes \$39 million in new paving projects, \$21 million for sewer or related environment projects and \$10 million in police facility improvements. About 77 percent of the 2002 Capital Budget is dedicated to preservation purposes, mainly the City's sewer, surface transportation systems and police facilities. The majority of the expansion purpose expenditures are for economic development, streets and sewers.

ADOPTED BUDGET - COMBINED REVENUES - 2002

	GOVERNMENTAL FUND TYPES				PROPRIETARY	TOTAL
	General	Special Revenue	Debt Service	Capital Projects	FUND TYPES Enterprise	
TAXES						
Property Tax -						
General	\$ 74,364,432	\$ 1,000,000	\$ 58,915,763	\$ 10,015,819	—	\$144,296,014
Provision for Employee Retirement ⁽¹⁾	38,090,209	—	—	—	—	38,090,209
Common Council Contingency	5,420,458	—	—	—	—	5,420,458
Total Taxes	\$117,875,099	\$ 1,000,000	\$ 58,915,763	\$ 10,015,819	—	\$187,806,681
REVENUES						
Taxes	12,039,500	—	—	—	—	12,039,500
Licenses and Permits	9,558,026	—	—	—	—	9,558,026
Intergovernmental Revenue	282,750,300	81,534,000	—	—	—	364,284,300
Charges for Services	79,960,138	—	—	—	—	79,960,138
Fines and Forfeitures	4,420,000	—	—	—	8,250,000	12,670,000
Miscellaneous Revenues	18,925,846	5,650,000	—	—	—	24,575,846
Cost Recovery	10,000	—	—	—	—	10,000
Fringe Benefits ⁽²⁾	15,200,000	—	—	—	—	15,200,000
Solid Waste Fund	—	—	—	—	—	—
Parking	—	—	—	—	26,134,098	26,134,098
Water Works	—	—	—	—	81,788,607	81,788,607
Sewer Maintenance Fund	—	—	—	—	27,074,646	27,074,646
Retained Earnings	—	—	—	—	12,401,000	12,401,000
Sinking Fund	—	—	55,071,888	—	—	55,071,888
Special Assessments	—	—	—	4,936,093	—	4,936,093
Capital Revenue	—	—	—	9,600,000	—	9,600,000
TOTAL REVENUES	\$422,863,810	\$87,184,000	\$ 55,071,888	\$ 14,536,093	\$155,648,351	\$735,304,142
TAX STABILIZATION						
Transfer From Reserve for						
Tax Stabilization	11,000,000	—	—	—	—	11,000,000
SALES OF BONDS AND NOTES						
Bonds and Notes	—	—	—	78,290,401	16,960,500	95,250,901
GRAND TOTAL	\$551,738,909	\$88,184,000	\$113,987,651	\$102,842,313	\$172,608,851	\$1,029,361,724

(1) Includes employer and employee pension contributions and City employers' share of FICA.

(2) For budgeting purposes, Fringe Benefits are used as an offset against expenditures since these costs are budgeted twice, both as a lump sum and as individual departmental expenditures.

ADOPTED BUDGET - COMBINED APPROPRIATIONS - 2002

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	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES	TOTAL
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	
Administration, Dept. of	\$ 8,688,007	\$ —	\$ —	\$324,945	\$ —	\$ 9,012,952
Assessor's Office	4,766,666	—	—	—	—	4,766,666
City Attorney	6,130,255	—	—	352,000	—	6,482,255
City Treasurer	3,126,900	—	—	—	—	3,126,900
Common Council - Clerk	7,664,038	—	—	14,880,000	—	22,544,038
Municipal Court	3,434,842	—	—	2,730,000	—	6,164,842
Comptroller	4,853,936	—	—	—	—	4,853,936
Dept. of City Development	4,538,063	—	—	17,850,000	—	22,388,063
Election Commission	1,688,703	—	—	—	—	1,688,703
Employee Relations, Dept	4,616,631	—	—	—	—	4,616,631
Fire Department	79,607,836	—	—	130,900	—	79,738,736
Fire & Police Commission	1,109,337	—	—	—	—	1,109,337
Health Department	14,347,576	—	—	3,415,000	—	17,762,576
Library	21,461,849	—	—	1,833,900	—	23,295,749
Mayor's Office	1,236,200	—	—	—	—	1,236,200
Neighborhood Services	12,820,390	—	—	2,949,990	—	15,770,380
Police Department	166,448,059	—	—	9,862,914	—	176,310,973
Port of Milwaukee	3,293,885	—	—	785,000	—	4,078,885
Public Debt Commission	597,208	—	—	—	—	597,208
DPW-Administration	4,976,350	—	—	5,621,000	—	10,597,350
DPW-Infrastructure	22,994,302	—	—	28,706,602	—	51,700,904
DPW-Operations	81,227,156	—	—	13,400,062	—	94,627,218
Water Works	—	—	—	—	89,189,607	89,189,607
Sewer Maintenance Fund	—	—	—	—	43,213,146	43,213,146
Special Purpose Accounts	116,749,497	—	—	—	—	116,749,497
Pension Funds	63,770,867	—	—	—	—	63,770,867
Debt Service - Gen City	—	—	99,883,390	—	—	99,883,390
Debt Service - Schools	—	—	14,104,261	—	—	14,104,261
Contingency	5,420,458	—	—	—	—	5,420,458
Delinquent Tax Fund	—	6,650,000	—	—	—	6,650,000
Parking Fund	—	—	—	—	40,206,098	40,206,098
Grant & Aid Fund	—	81,534,000	—	—	—	81,534,000
Fringe Benefits Offset ⁽¹⁾	(93,830,102)	—	—	—	—	(93,830,102)
GRAND TOTAL	\$551,738,909	\$88,184,000	\$113,987,651	\$102,842,313	\$172,608,851	\$1,029,361,724

(1) For budgeting purposes, Fringe Benefits are used as an offset against expenditures since these costs are budgeted twice, both as a lump sum and as individual departmental expenditures.

**STATEMENT OF GENERAL FUND REVENUES, OTHER FINANCING SOURCES AND EXPENDITURES
FOR THE YEARS ENDED DECEMBER 31, 1997 THROUGH 2001⁽¹⁾**

	<u>1997⁽²⁾</u>	<u>1998⁽²⁾</u>	<u>1999⁽²⁾</u>	<u>2000⁽²⁾</u>	<u>2001⁽²⁾</u>
<u>REVENUES</u>					
Property Taxes	\$92,656,000	\$84,042,000	\$89,250,000	\$98,456,000	\$118,804,000
Other Taxes	10,397,000	10,100,000	10,283,000	12,808,000	12,688,000
Licenses and Permits	7,599,000	8,112,000	8,996,000	10,154,000	10,485,000
Intergovernmental	271,796,000	278,965,000	277,884,000	278,434,000	278,969,000
Charges for Services	25,301,000	27,727,000	37,598,000	45,383,000	54,594,000
Fines and Forfeitures	15,578,000	16,138,000	17,694,000	18,036,000	4,408,000
Miscellaneous Revenues	<u>16,862,000</u>	<u>16,736,000</u>	<u>9,032,000</u>	<u>14,358,000</u>	<u>12,408,000</u>
TOTAL GENERAL FUND REVENUES	\$440,189,000	\$441,820,000	\$450,737,000	\$477,629,000	\$492,356,000
Tax Stabilization Fund Withdrawals	16,326,000	17,600,000	12,820,000	11,250,000	5,500,000
Other Financing Sources and Equity					
Transfers (Net)	<u>9,220,000</u>	<u>12,766,000</u>	<u>8,886,000</u>	<u>18,640,000</u>	<u>26,232,000</u>
TOTAL GENERAL FUND REVENUES, TAX STABILIZATION FUND WITHDRAWALS AND OTHER FINANCING SOURCES	<u>\$465,735,000</u>	<u>\$472,186,000</u>	<u>\$472,443,000</u>	<u>\$507,519,000</u>	<u>\$524,088,000</u>
<u>EXPENDITURES⁽³⁾</u>					
General Government	\$62,913,000	\$65,306,000	\$132,231,000	\$157,615,000	\$162,628,000
Public Safety	243,235,000	248,605,000	205,717,000	220,879,000	209,521,000
Public Works	107,599,000	102,835,000	91,817,000	100,696,000	87,453,000
Health	16,726,000	17,882,000	11,401,000	11,363,000	11,237,000
Culture and Recreation	19,666,000	20,383,000	16,627,000	17,584,000	16,948,000
Conservation and Development	<u>5,652,000</u>	<u>7,281,000</u>	<u>7,271,000</u>	<u>7,502,000</u>	<u>7,922,000</u>
TOTAL EXPENDITURES ⁽⁴⁾	<u>\$455,791,000</u>	<u>\$462,292,000</u>	<u>\$465,064,000</u>	<u>\$515,639,000</u>	<u>\$495,709,000</u>
SOURCES OVER (UNDER) EXPENDITURES	\$9,944,000	\$9,894,000	\$7,379,000	(\$8,120,000)	\$28,379,000
Fund Balance - January 1 ⁽⁵⁾	<u>69,538,000</u>	<u>61,882,000</u>	<u>58,956,000</u>	<u>55,085,000</u>	<u>40,465,000</u>
Fund Balance - December 31 ⁽⁶⁾	<u>\$79,482,000</u>	<u>\$71,776,000</u>	<u>\$66,335,000</u>	<u>\$46,965,000</u>	<u>\$68,844,000</u>

(1) For budgetary purposes only, fringe benefit revenues, cost recovery from Internal Service Funds, and purchase of Milwaukee County's delinquent taxes are revenue estimates that offset budgeted expenditures. These offsetting amounts are not revenues or expenditures for purposes of the financial statements and are excluded from the above table.

(2) Figures rounded to the nearest one thousand dollars.

(3) Beginning in 1999, fringe benefits (pensions, healthcare, etc.) are reported in total as General Government Expenditures. In prior years, fringe benefit costs were allocated to individual expenditure categories.

(4) The 2000 Total Expenditures includes payment of \$16 million of retroactive labor settlement costs for 1998 and 1999. Of this amount, \$11.4 million was provided for and reserved within the 1998 and 1999 Fund Balance.

(5) Excludes Tax Stabilization withdrawal for following year.

(6) Fund Balance Components: (000's)	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Reserved for Encumbrances	\$12,355	\$10,974	\$9,942	\$5,026	\$5,357
Reserved for Carryovers	8,624	6,489	7,286	3,860	4,308
Reserved for Future Labor Settlements	628	8,307	11,382	--	12,795
Reserved for inventory	6,184	6,162	6,454	6,014	5,678
Reserved for mortgage trust	325	319	291	281	281
Reserved for environmental Remediation	281	281	281	304	303
Reserved for next year's budget	17,600	12,820	11,250	5,500	11,000
Reserved for subsequent years' Budget	<u>33,485</u>	<u>26,424</u>	<u>19,449</u>	<u>25,980⁽⁷⁾</u>	<u>29,122</u>
Total Fund Balance	<u>\$79,482</u>	<u>\$71,776</u>	<u>\$66,335</u>	<u>\$46,965</u>	<u>\$68,844</u>

(7) Includes proceeds of \$7,071,000 financing of deficit note authorized in 2000. This note is being repaid in 2002 and 2003.

YEAR 2001 GENERAL FUND RESULTS

Exhibits A through E of Appendix A present the 2001 financial statements for the General Fund. The City General Fund balance of Tax Stabilization reserves totaled \$40,122,000 at the end of 2001, or about 8.1 percent of 2001 Fund expenditures. This compares to \$31,480,000 (6.1% of expenditures) at December 31, 2000. Total Fund balance at December 31, 2001 is \$68.8 million compared to \$47.0 million at December 31, 2000.

Revenues and other sources increased by \$16.6 million (+3.3%) in 2001, mainly due to a \$20.3 million (+20.7 %) increase in property tax revenues. A tax rate increase of 8.3 percent combined with an 11.5 percent growth in assessed property value produced this tax revenue increase. Intergovernmental revenues, by far the largest Fund revenue source, remained about the same, increasing by \$0.5 million (+0.2%). Service Charge revenue grew by \$9.2 million (+20.3%) including \$8.7 million in reimbursements from the City Employee Retirement System to the General Fund. These reimbursements were made possible through a Global Pension settlement concluded in 2001. Fines and Forfeitures revenues declined by \$13.6 million (-75.6%), principally due to the transfer of parking citation operations to the Parking Fund. Net parking income still accrued to the benefit of the General Fund in 2001 through a transfer of \$15.0 million from the Parking Fund, reflected in "Other Financing Sources and Equity Transfers". The use of budgeted Tax Stabilization reserves declined from \$11.3 million in 2000 to \$5.5 million in 2001.

A Solid Waste Fund was created in 2001 to capture related user charge revenues and expenses. Without the creation of this Fund, General Fund revenues would have increased by an additional \$36.6 million to reflect a solid waste fee implemented in 2001. This user charge would therefore have increased total General Fund revenues by 10.8 percent over 2000 revenues.

Total General Fund expenditures declined by \$19.9 million (-3.9%) in 2001. A major factor in this decrease was the creation of a Solid Waste Fund mentioned above. This had the effect of removing related expenditures from the General Fund. Without the creation of this Fund, total General Fund expenditures would have increased by \$14.7 million (+2.9%).

Public safety expenditures declined by \$11.4 million in 2001, owing to the payment in 2000 of retroactive settlements of collective bargaining agreements with the major Police and Firefighters unions including the years 1998 and 1999. The transfer of parking citation operations to the Parking Fund further reduced these General Fund expenditures. Also, cost reduction initiatives including a targeted hiring freeze and a reduction in equipment purchases produced additional savings City-wide.

Since 1997, General Fund revenues and other sources have increased at an average of about three percent annually. Intergovernmental Aids remain the mainstay of Fund revenues at 53 percent of total Fund sources, compared to 58 percent in 1997. The property tax now comprises about 23 percent of total General Fund sources compared to 20 percent in 1997. During this period, charges, fines and forfeitures have increased in importance, now making up 11.5 percent of total General Fund sources compared to 8.8 percent in 1997. This increase excludes the increase in parking fees and the institution of a solid waste fee. Both of these charges are accounted for in other funds.

General Fund expenditures have grown at an average rate of just over two percent annually since 1997. Due to a financial systems change implemented in 1999, expenditure category comparisons since 1997 are difficult to determine. Over the past four years, the unreserved Tax Stabilization Fund balance has declined from \$33.5 million to \$29.1 million (-13.0%). Excluding \$7.0 million in authorized note proceeds transferred to the General Fund in 2000 to cover departmental operating shortfalls that year, 2001 marked the first increase in this unreserved Tax Stabilization balance since 1992.

For information regarding City debt levels and related debt factors, see "DEBT STRUCTURE".

CITY OF MILWAUKEE
ASSESSED AND EQUALIZED VALUATIONS

	Year 1997 For 1998 Purposes	Year 1998 For 1999 Purposes	Year 1999 For 2000 Purposes	Year 2000 For 2001 Purposes	Year 2001 For 2002 Purposes
Real Property					
Residential	\$8,457,841,610	\$9,093,197,600	\$9,163,659,090	\$10,292,622,989	\$10,358,670,619
Industrial	571,006,100	625,806,100	633,181,600	741,471,600	717,830,700
Mercantile	4,751,563,914	5,123,443,125	5,103,186,557	5,612,521,788	5,716,180,475
Total Real Property	\$13,780,411,624	\$14,842,446,825	\$14,900,027,247	\$16,646,616,377	\$16,792,681,794
Personal Property	1,133,725,610	1,229,667,210	873,822,920	936,378,220	907,102,600
Total Assessed Valuations	\$14,914,137,234	\$16,072,114,035	\$15,773,850,167	\$17,582,994,597	\$17,699,784,394

Equalized Valuation as determined by the State Department of Taxation is the basis used in computing the 7% statutory debt limitation of the City of Milwaukee

\$15,511,857,400	\$16,228,218,000	\$16,701,225,300	\$17,344,251,400	\$19,453,830,200
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Ratio of Assessed to Equalized Valuation

96.14%	99.04%	94.45%	101.40%	91.00%
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**CITY OF MILWAUKEE
ASSESSED TAX RATES
(PER \$1,000 OF ASSESSED VALUATION)**

	1998	1999	2000	2001	2002
Unit of Government					
City Government ⁽¹⁾	\$9.99	\$9.71	\$9.69	\$10.49	\$10.87
Milwaukee Public Schools	10.85	10.97	10.38	9.87	10.12
Milwaukee County	6.17	5.92	6.03	5.66	6.13
Milwaukee Area Technical College	2.11	2.01	2.16	2.00	2.23
Milwaukee Metropolitan Sewerage District	1.77	1.72	1.80	1.68	1.87
Gross Tax Rate Per \$1,000	\$30.89	\$30.33	\$30.06	\$29.70	\$31.22
Less: State Tax Credit	2.35	2.04	2.00	1.69	1.66
Net Tax Rate	\$28.54	\$28.29	\$28.06	\$28.01	\$29.56

(1) Includes School Debt Service (\$0.65 in 2002).

**CITY OF MILWAUKEE
PROPERTY TAX LEVIES AND COLLECTIONS
1997-2001**

<u>Levy For Year</u>	<u>Total Tax Levy⁽¹⁾</u>	<u>Current Tax Collections</u>	<u>Percent Of Levy Collected</u>	<u>Delinquent Tax Collections⁽²⁾</u>	<u>Total Tax Collections</u>	<u>Total Collections As Percent Of Current Levy</u>	<u>Cumulative Delinquent Taxes⁽³⁾</u>
1997	\$350,302,247	\$340,270,376	97.136%	\$8,558,851	\$348,829,227	99.580%	\$23,647,505
1998	331,555,564	322,736,712	97.340	13,084,230	335,820,942	101.286	19,382,127
1999	339,318,287	328,557,830	96.829	8,573,206	337,131,035	99.355	21,569,378
2000	324,794,061	311,021,871	95.760	11,289,351	322,311,222	99.236	24,052,217
2001	368,371,158	355,574,882	96.526	14,805,255	370,380,137	100.545	22,043,238

- (1) Includes special assessments placed on tax roll, as well as County delinquent real and personal property taxes purchased from the County and included in tax levy collections.
(2) Collection of delinquent taxes for prior years.
(3) Includes current and prior year delinquent taxes.

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COLLECTION PROCEDURES

If no payment of property taxes is received in January, the taxes become delinquent as of February 1. If the taxes are not paid when due under the 10-month installment plan, they become delinquent for legal purposes on November 15.

A letter is mailed to the taxpayer shortly after February 1st, telling of the delinquency and suggesting partial payments if full payment cannot be made. As directed by State of Wisconsin Statutes, Chapter 74, interest at the rate of 1 percent per month is charged from the preceding January 1st. Periodic follow-up letters continue to be mailed.

Taxpayers are given every opportunity to pay their delinquent taxes and satisfactory agreements are arranged to bring this about. If a property owner continues to remain delinquent and the Treasurer's Office is unable to reach an arrangement by which the owner will pay the taxes, the Treasurer's Office starts foreclosure proceedings. The City enforces its own delinquent tax collections.

Taxes are foreclosed under State of Wisconsin Statutes Section 75.521, which permits a legal action to be commenced one year from the date of delinquency. An exception to this provision is that legal action on owner occupied dwellings may be deferred up to two years if authorized by Common Council action.

The rate of current tax collections continues at this historically high level. Current collections for 2001 were approximately 96.526 percent of the total tax levied.

INSURANCE

The City has property insurance with the State of Wisconsin Local Government Property Insurance Fund. This insurance is subject to a \$25,000 deductible. The City is uninsured for liability. Under Wisconsin law, the City's exposure in tort liability is limited to \$50,000 in non-automobile cases and \$250,000 in automobile cases. The City does carry a wharfinger's liability policy on its port with coverage up to \$10 million and a deductible of \$500,000. The City follows a policy of requiring contract service providers to provide the City with indemnification and insurance as may be deemed appropriate by the City.

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PENSION SYSTEM

EMPLOYEES' RETIREMENT SYSTEM

The Employees' Retirement System ("System") of the City of Milwaukee is established pursuant to Section 36 of the Milwaukee City Charter.

Membership in the System consists of specified classes of part-time and all full-time municipal employees including elected officials. Persons employed as teachers are specifically excluded from membership. Membership in the System totals approximately 15,000 active and 3,500 vested, inactive members at December 31, 2001. There were approximately 11,000 retirees and beneficiaries receiving benefits as of December 31, 2001.

Funding of the System, a defined benefit plan, is derived from employee and employer contributions. Current employee contributions to the System are based on a percentage of compensation as follows:

General Municipal ⁽¹⁾	5.5%
Elected Officials	7.0%
Police	7.0%
Fire	7.0%

(1) Including non-certified School Board, Milwaukee Area Technical College, and all Milwaukee Metropolitan Sewerage District and Wisconsin Center employees.

The City pays the employee's share of the pension contributions as well as the employer's share of pension contributions which are actuarially determined based upon normal cost and amortization of past service liability. The actuarial cost method for determining these items was changed from the "aggregate cost method" to the "projected unit credit method" as of January 1, 1995.

For the year ended December 31, 2001, the latest year for which audited figures are available, required member contributions totaled \$28.1 million and required employer contributions totaled \$144,000. Of the \$28.1 million required member contributions, \$2.5 million was funded through a transfer from the Employers Reserve Fund. Approximately 73% of these contributions were for requirements of the City of Milwaukee employees. The original cost of fund investments totaled \$3.021 billion with a corresponding market value of \$3.817 billion or 126% of the original cost at December 31, 2001.

The Milwaukee City Charter requires that an actuarial study of the System be performed at least once every five years for the purpose of reviewing assumptions. Such an experience study is currently being performed by Buck Consultants and is anticipated to be completed by the end of 2002. The last study was completed in 1998 by Buck Consultants, covering the period of January 1, 1992 through December 31, 1996. Fifteen assumption changes were recommended by the actuary including major changes of decreasing the assumed rate of salary increases from 5.5% to 4.5% for general city employees and changing the method of actuarial valuation of assets. The fifteen recommended changes were adopted by the System.

Rules and regulations governing the System have recently undergone changes as a result of what is known as the Global Pension Settlement. These changes significantly impact the benefits and funding associated with the System. The System's actuary has completed an actuarial valuation of the System as of January 1, 2001 under these new regulations. This valuation reveals the System continues to remain actuarially sound.

The Governmental Accounting Standards Board (GASB) Statement No. 25 Disclosure of "Schedule of Funding Progress" indicates an Actuarial Value of Assets of \$4.202 billion as of January 1, 2001 and an Actuarial Accrued Liability of \$2.988 billion as of that date. This results in a Funded Ratio of 140.6% after consideration of the Global Pension Settlement.

FIREMEN'S ANNUITY AND BENEFIT FUND

The Firemen's Annuity and Benefit Fund was established in 1923 pursuant to Chapter 423 of the 1923 Laws of Wisconsin. In 1947, the Firemen's Annuity and Benefit Fund was closed to new entrants. The final pre-1947 member retired in 1989.

The Principal Mutual Life Insurance Company made a proposal to provide annuities guaranteeing benefit payments to entrants and widows, exclusive of duty disability benefits, beginning in February, 1990 in consideration of a single premium payment on January 31, 1990 in the amount of \$20,419,207. The Retirement Board of the Firemen's Annuity and Benefit Fund and the Common Council authorized acceptance of the proposal and payment of the required premium on December 19, 1989. The Retirement Board and the Firemen's Annuity and Benefits Fund ceased to exist. The City will be liable to pay retirement benefits if the insurance company defaults on its obligations under the policy.

POLICEMEN'S ANNUITY AND BENEFIT FUND

The Policemen's Annuity and Benefit Fund is established pursuant to section 35 of the Milwaukee City Charter.

Membership in the Policemen's Annuity and Benefit Fund consists of all Police Department employees whose service commenced prior to January 1, 1948. Membership at June 30, 2002 totaled one active and 260 retired members.

Funding is derived from employee and employer contributions. Employee contributions total six percent of compensation which is entirely paid by the City. Employer contributions are actuarially determined and based on normal cost and amortization of past service liability. There is an unfunded past service liability for the Policemen's Annuity and Benefit Fund at year-end 2001 in the amount of \$1,955,368 per the Policemen's Annuity and Benefit Fund's Annual Actuarial Statement dated June 12, 2002. This amount is being amortized over the next 5 years.

For the year ended December 31, 2001, employer contributions totaled \$4,463. Assets of the Policemen's Annuity and Benefit Fund at December 31, 2001, totaled \$8,413,154 at cost. Market value of Policemen's Annuity and Benefit Fund assets was \$8,613,542 or 102.4 percent of cost at December 31, 2001.

It is the opinion of the actuaries of the above Policemen's Annuity and Benefit Fund that based on the present amortization payments, the Policemen's Annuity and Benefit Fund is actuarially sound and that all future benefit payments will be made.

LEGAL MATTERS

LITIGATION STATEMENT

The City, its boards, officers and employees have been defendants in numerous lawsuits over the years. Experience has shown that a relatively small number of suits commenced are reduced to judgment. The City of Milwaukee does not carry a blanket policy of insurance against tort liability. In addition, §893.80, Stats. limits the amount recoverable against a political corporation, its officer, officials or employees for acts done in their official capacity to \$50,000 in tort liability for non-automobile cases and \$250,000 in automobile cases.

The City Attorney's office has currently reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation and which individually represent maximum potential loss exposure in excess of \$1 million, existing on December 31, 2001 and from that date to October 8, 2002.

James A. Rehrauer, et al. v. City of Milwaukee, et al. This action was filed on behalf of 68 retired firefighter plaintiffs seeking to declare an ordinance implementing a judgment in an earlier case involving duty disability conversion invalid. The plaintiffs sought a declaration that they are entitled to the highest conversion age in effect during their careers. Summary judgment in favor of the City has been entered. The case has been settled by 64 of the 68 plaintiffs. Five plaintiffs appealed to the Wisconsin Court of Appeals. The Court of Appeals reversed. As a result, three of the five remaining appellants have been reinstated to their duty disability retirement pension. These pensioners will receive back pay.

U.S. Department of Justice Pattern and Practice Investigation-Milwaukee Police Department. The Equal Employment Opportunity Commission (“EEOC”) conducted a pattern and practice investigation from December 1993 to September 1996. The investigation resulted in a finding of probable cause that the Fire and Police Commission (“FPC”) and Milwaukee Police Department discriminated, based on race, in the areas of hiring, discipline, retaliation, and terms and conditions of employment. The EEOC sought \$5 million in total remedies for the class claims and nearly \$2 million to the individual hiring charging parties. Additionally, the EEOC requested remedies for the 15 individual “terms and conditions” charging parties in an amount totaling over \$2.5 million. The EEOC also sought an additional \$1 million in compensation to the “terms and conditions” class members. The EEOC referred the matter to the United States Department of Justice (“DOJ”) in February 1997. Additional individual EEOC charges have also resulted in reasonable cause determinations and have been referred to the DOJ. The individual charging parties could request and receive Right to Sue letters; however, we cannot anticipate with any accuracy at this time if, indeed, there will be individual lawsuits, and if so, how many. The DOJ conducted a further, lengthy investigation and stated by letter dated January 2, 2001 that suit has been authorized against the City of Milwaukee and the FPC on the basis of the information provided by the EEOC and upon further information compiled by the DOJ since the matter was referred to them. DOJ alleges that between 1991 and 1996, African-Americans were discriminated against in terms of differential and less favorable treatment in the hiring process (failing background investigations), and in terms and conditions of employment such as discipline, discharge, and assignment. The City has begun, and will continue to communicate with DOJ in an effort to explore possible settlement. It is presently unknown whether settlement can or will be effectuated. DOJ is presently requesting \$6.15 million in compensatory damages for a class of 100 victims of discriminatory terms and conditions of employment and an unspecified sum in back pay for a group of approximately 39 African-Americans who failed background investigations. Back pay cannot be estimated at this time.

U.S. Department of Justice Investigation of Firefighter Selection Procedures (Brotherhood of Firefighters v. FPC). Potential litigation concerning the Firefighter selection procedures of 1993, 1995 and 1999 has been averted and the matter settled by an approved Supplemental Order of the United States District Court dated November 30, 2001, under Civil Action Case No. 74-C-480. This matter has been previously reported in prior statements. It originated with EEOC charges filed by the Brotherhood of Firefighters on October 30, 1996 and February 26, 1997, alleging discrimination on the basis of race (African-American) with respect to: 1) hiring; 2) promotion; 3) terms and conditions of employment and 4) discipline. On December 10, 1999 the EEOC issued a Reasonable Cause Determination, and had sought damages of approximately 12 million dollars. On October 4, 2000, the EEOC referred the matter to the United States Department of Justice. The Department of Justice conducted its own investigation of the charges as well as a like and related matter: the 1999 entry-level examination for firefighter. The Department of Justice, the Brotherhood of Firefighters and the City entered into a settlement agreement concerning the recruitment and hiring charges for Cadet and entry level firefighters, and the 1993, 1995 and 1999 examinations. The settlement does not cover the promotional charges. The agreement is in the form of a Supplemental Order to an existing consent decree in Civil Action No. 74-C-480. The United States District Court approved the Order on November 30, 2001. The Order obligates the City of pay a total of \$1.8 million in back pay, payable in three annual installments of \$600,000 each commencing in January, 2002. In addition, the City will contribute the employer portion of Medicare Tax on the back pay award, and will provide up to 40 priority appointments of African Americans who were the victims of past discrimination to the position of Firefighter, with retroactive seniority and pension benefits. The cost of providing such retroactive pension benefits is unknown, but is anticipated to be approximately \$615,000.

Super Excavators, Inc., v. City of Milwaukee. An underground-utility contractor that installed a sewer for the City filed this case. The plaintiff alleges that on July 10, 1998, while it was tunneling, a sudden surge of water entered the tunnel from a leaking City sewer above. The contractor seeks in excess of \$880,000 as compensation for additional work performed as a result of the wet conditions. If successful it is possible that a court would also award pre-judgment interest, bringing the amount over \$1 million. The City is defending the case. It is the opinion of the City staff that the water was a result of natural groundwater conditions that were the responsibility of the contractor.

Kenneth E. Engel. Individually, as class representative of all annuitants receiving an annuity from the Principal Mutual Life Insurance Company, and as President and as the authorized representative of the members of the Retired Fire & Police Association, Inc. claim on behalf of annuitants of the Firemen’s Annuity & Benefit Fund. In 1990 the City and the Firemen’s Annuity & Benefit Fund (“Fund”) and the City’s pension system covering firemen of the City hired prior to July 30, 1947 entered into an agreement whereby the Principal Life Insurance Company agreed to assume the liability for the annuities of the Fund. At the time of the agreement, all of the members’ and their widows’ annuities had been fixed by the retirement board of the Fund. Under the agreement the Fund contributed all of its assets and the City contributed the remainder of the amount necessary to fund the contract on a single premium basis. The City became the contract-holder and the pension fund and its retirement board thereafter ceased to exist.

Subsequently, in 2001, Principal Life Insurance Company demutualized. As part of this process, shares of the new entity, Principal Financial Group, were awarded to the City as the contract-holder. These shares were sold by the City and the City received \$2,179,268.41.

On July 24, 2002, an individual on behalf of a class consisting of all of the annuitants filed a claim against the City for just compensation in the amount of \$1,980,000. The City's position is that the annuitants have no financial interest extending beyond the payment of their annuities. The City has 90 days in which to respond to the claim. In the event a settlement cannot be reached, the City will vigorously contest the claim in court.

Claim of the Estate of Mario Mallett. On April 19, 2002, a claim was filed with the City Clerk by the estate of Mr. Mario Mallett pursuant to the December 27, 2001 death of Mr. Mallett. Mr. Mallett's death occurred while he was in the custody of Milwaukee police officers. The estate claims that Mr. Mallett's death was caused by the negligence of officers, in the manner in which Mr. Mallett was taken into custody and transported to a hospital. The City has given substantive attention to this claim, and anticipates that a lawsuit will be filed that raises both state negligence and federal civil rights causes of action.

With regard to other pending or threatened litigation and unasserted claims, it is the opinion of the City Attorney that such litigation and claims will not be finally determined so as to result individually or in the aggregate in a final judgment against the City which would affect its financial position.

LEGAL OPINION

The legal opinion of Hawkins, Delafield & Wood, New York, New York and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will be delivered to the purchasers of the Bonds. A draft of the legal opinion for the Bonds is included herein as Appendix B.

BOND INSURANCE

The information contained in the following paragraphs of this subsection "Bond Insurance", and in Appendix C, has been extracted from a document provided by Financial Security Assurance Inc. The City makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy (the "Policy") for Bonds maturing in the years 2006 through 2016 only (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an Appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S. A., a publicly held Belgian corporation. Dexia, S. A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At June 30, 2002, Financial Security's total policyholders' surplus and contingency reserves were approximately \$1,710,044,000 and its total unearned premium reserve was approximately \$898,579,000 in accordance with statutory accounting principles. At June 30, 2002, Financial Security's total shareholders' equity was approximately \$1,817,013,000

and its total net unearned premium reserve was approximately \$744,499,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Insured Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

RATINGS

The City has received ratings on the Bonds from Fitch Ratings, Moody's Investors Service, Inc. and from Standard & Poor's Ratings Group. For the Bonds maturing in the years 2003 to 2005, inclusive, Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings Group have assigned ratings of "AA+", "Aa2", and "AA", respectively. For the Bonds maturing in the years 2006-2016, inclusive, Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings Group have assigned ratings of "AAA", "Aaa", and "AAA", respectively, with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Insured Bonds will be issued by Financial Security Assurance Inc.

The ratings, when issued, reflect only the views of the respective ratings agencies, and an explanation of the significance of such rating may be obtained therefrom. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised, either upward or downward, or withdrawn entirely, by the respective agencies, if, in their judgment, circumstances so warrant. A revision or withdrawal of the credit rating could have an effect on the market price of the Bonds.

TAX STATUS

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, as amended and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering their opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Bonds, and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel renders their opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update their opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND COVENANTS

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of an Offered Obligation. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Legislation affecting municipal bonds is regularly proposed. There can be no assurance that legislation enacted or proposed by the United States Congress after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

STATE TAX MATTERS

Interest on the Bonds is not exempt from State of Wisconsin income tax or franchise tax.

RULE 15c2-12

On November 10, 1994, the Securities and Exchange Commission adopted in final form certain amendments (the "Amendments") to Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended. In general, the Amendments prohibit an underwriter from purchasing or selling municipal securities unless it has determined that the issuer of such securities has committed to provide annually certain information, including audited financial information, and notice of various events described in the Amendments, if material. The Amendments apply to municipal securities (such as the Bonds) sold on or after July 3, 1995. The City will provide a Continuing Disclosure Certificate to the purchaser(s) of the Bonds. Said Certificate will constitute a written agreement or contract of the City for the benefit of holders of and owners of beneficial interests in the Bonds to provide: annual financial information for the City, including audited financial statements of the City for each fiscal year ending on and after December 31, 2002, in a timely manner; notices of certain events with respect to the Bonds, if material, including: principal and interest payment delinquencies; non-payment related defaults; unscheduled draws on debt service reserves reflecting financial difficulties; unscheduled draws on credit enhancements reflecting financial difficulties; substitution of credit or liquidity providers, or their failure to perform; adverse tax opinions or events affecting the tax-exempt status of the Bonds; modifications to rights of security holders; bond calls; defeasances; release, substitution, or sale of property securing repayment of the Bonds and rating changes; and notice of any failure of the City to provide required annual financial information with respect to the City not later than June 30, 2003 or any June 30 thereafter. The annual financial information referred to above will be provided to each nationally recognized municipal securities information repository and to the appropriate state information depository, if any. The notice of certain events referred to above will be provided to each nationally recognized municipal securities information repository, to the Municipal Securities Rulemaking Board and to the appropriate state information depository, if any. As of the date of this Official Statement, the following nationally recognized municipal securities information repositories have been approved by the SEC:

Bloomberg Municipal Repository; DPC Data Inc.; Standard & Poor's J.J. Kenny Repository and FT Interactive Data; no state information depository has been designated for the State of Wisconsin. The continuing obligation to provide annual financial information and notices referred to above will terminate with respect to the Bonds when the Bonds are no longer outstanding. Any failure by the City to comply with the foregoing will not constitute a default with respect to the Bonds.

The City has not failed to comply in any material respect with any previous undertaking in a written contract agreement specified in the Amendments.

FINANCIAL ADVISOR

Robert W. Baird & Co. has been retained as Financial Advisor to the City in connection with the issuance of the Bonds.

UNDERWRITING

The Bonds have been purchased by the underwriters, Bear, Stearns & Co. Inc. and Loop Capital Markets, LLC (the "Senior Underwriters") and Stifel, Nicolaus & Co., Inc. and U.S. Bancorp Piper Jaffray (the "Co-Underwriters"), (collectively, the "Underwriters"). The Underwriters will purchase the Bonds at a price of \$177,657,148.24 (\$159,985,000 par amount, less underwriters' discount of \$447,545.96, plus an original issue premium of \$18,119,694.20,) plus accrued interest on the Bonds to October 25, 2002.

The Underwriters may offer and sell the Bonds to certain dealers (including depositing the Bonds into Investment Trusts) and others at prices lower than the public offering prices stated on the cover page of this Official Statement. The initial offering prices may be changed from time to time by the Underwriters.

VERIFICATION

McGladrey & Pullen, LLP, Minneapolis, Minnesota will verify from the information provided to them the mathematical accuracy as of the date of closing on the Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the Bonds together with interest earnings thereon and cash deposits made by the City, to be held in escrow, will be sufficient to pay, when due, the principal and interest of the Refunded Bonds, and (2) the computations of yield on both the Federal Securities and the Bonds used by Bond Counsel in its determination that the interest on the Bonds is exempt from federal income taxation. McGladrey & Pullen, LLP, Minneapolis, Minnesota will express no opinion on the reasonableness of the assumptions provided to them, nor as to the exemption from federal income taxation of the interest on the Bonds.

LEGISLATION

The City is not aware of any pending legislation that would cause significant adverse consequences to either the Bonds or the financial condition of the City.

CLOSING DOCUMENTS AND CERTIFICATES

Simultaneously with the delivery of and payment for the Bonds by the Underwriters thereof, the City will furnish to the Underwriters the following closing documents, in form satisfactory to Bond Counsel:

- (1) a signature and no litigation certificate;
- (2) a tax certificate;
- (3) a certificate of delivery and payment;
- (4) the opinion as to the legality of the Bonds under Wisconsin law and as to the tax-exempt status of the interest thereon for federal income tax purposes rendered by Hawkins, Delafield & Wood, New York, New York and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, in substantially the form as set forth in Appendix B;
- (5) copies of this Official Statement issued in conjunction with the Bonds within seven business days after the award of the Bonds in accordance with SEC Rule 15c2-12(b)(3);
- (6) a Continuing Disclosure Certificate; and
- (7) a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

REPRESENTATIONS OF THE CITY

To the best of its knowledge, the information in this Official Statement does not include any untrue statement of a material fact, nor does the information omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

ADDITIONAL INFORMATION

Additional information may be obtained from the undersigned City Comptroller upon request.

W. MARTIN MORICS, City Comptroller and Secretary
City of Milwaukee, Public Debt Commission
City Hall - Room 404, 200 East Wells Street
Milwaukee, Wisconsin 53202
(414) 286-2301

/s/ W. Martin Morics
Comptroller
City of Milwaukee, Wisconsin

October 8, 2002

APPENDIX A

**Audited General Purpose Financial Statements of
the City of Milwaukee, Wisconsin
for the Year Ended December 31, 2001**

CITY OF MILWAUKEE
Financial Statements
For the Year Ended December 31, 2001
(Excerpts From Annual Financial Report)

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777 East Wisconsin Avenue
Milwaukee, WI 53202

Independent Auditors' Report

To the Honorable Members
of the Common Council
of the City of Milwaukee

We have audited the accompanying general purpose financial statements of the City of Milwaukee (a municipality incorporated under the laws of the State of Wisconsin) as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's Comptroller. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Milwaukee as of December 31, 2001, and results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in footnote 1 of the notes to the financial statements, during the year ended December 31, 2001, the City adopted the provisions of Governmental Accounting Standards Board Statement No.33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement No.36, *Recipient Reporting for Certain Shared Nonexchange Revenues*.

As described in footnote 13 of the notes to the financial statements, the City restated the beginning retained earnings of the enterprise funds.

KPMG LLP

Milwaukee, Wisconsin
May 31, 2002



CITY OF MILWAUKEE
COMBINED BALANCE SHEET -
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2001
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2000
(Thousands of Dollars)

Exhibit 1

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Cash and cash equivalents	\$ 29,769	\$ 21,962	\$ 50,433	\$ 27,889
Investments			65,519	
Receivables (net):				
Taxes	21,091	8,597		
Accounts	19,014	2,036		2,286
Unbilled accounts	1,835			
Special assessments				13,610
Notes and loans	670	6,307	17,637	
Accrued interest	604	2	228	
Due from other funds	23,988			
Due from primary government				
Due from component units	3,395		18,999	
Due from other governmental agencies	981	11,881		10,451
Other receivables	12,222			
Inventory of materials and supplies	5,652			203
Inventory of property for resale	26			
Prepaid items	1,019			
Deferred charges				
Other assets				
Restricted Assets:				
Cash and cash equivalents				
Investments	281			
Loans receivables				
Land				
Buildings				
Infrastructure				
Improvements other than buildings				
Machinery and equipment				
Furniture and furnishings				
Construction work in progress				
Nonutility property				
Accumulated depreciation				
Other Debits:				
Resources available in Governmental Funds				
Resources to be Provided for:				
Retirement of general obligation debt				
Unfunded compensated absences				
Unfunded claims and judgments				
Total Assets and Other Debits	\$ 120,547	\$ 50,785	\$ 152,816	\$ 54,439
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 21,716	\$ 4,953	\$	\$ 10,406
Accrued wages	28,155	322		424
Accrued expenses				

Proprietary Fund Type Enterprise	Fiduciary Fund Type Trust and Agency	Account Groups		Totals (Memorandum Only) Primary Government	Component Units	Totals (Memorandum Only) Reporting Entity	
		General Fixed Assets	General Long-Term Obligations			2001	2000 (Restated)
\$ 26,803	\$ 315,964 5,405	\$	\$	\$ 472,820 70,924	\$ 33,744 18,230	\$ 506,564 89,154	\$ 373,253 91,756
	124,485			154,173		154,173	172,865
24,972				48,308	7,235	55,543	55,915
9,597				11,432		11,432	11,036
				13,610		13,610	13,233
	467			25,081	63,770	88,851	82,400
36				870	416	1,286	1,635
564				24,552		24,552	13,171
				-	973	973	2,112
				22,394		22,394	17,270
				23,313	16,686	39,999	40,620
				12,222		12,222	12,694
2,616				8,471		8,471	8,370
				26	11,274	11,300	10,954
29				1,048	2,021	3,069	2,173
367				367		367	2
367				367	1,128	1,495	1,388
23,365				23,365	1,809	25,174	3,585
	374,371			374,652	14,543	389,195	402,772
				-		-	40
19,719		39,694		59,413	40,007	99,420	98,132
80,455		132,870		213,325	294,058	507,383	464,463
265,856				265,856		265,856	
278,481				278,481		278,481	271,681
193,864		97,353		291,217	4,599	295,816	290,978
78				78	114	192	311
20,145		82,939		103,084	38,507	141,591	125,201
540				540		540	540
(246,498)				(246,498)	(139,898)	(386,396)	(278,601)
			128,874	128,874		128,874	117,488
			437,555	437,555		437,555	405,015
			33,360	33,360		33,360	30,534
			36,945	36,945		36,945	43,520
<u>\$ 701,356</u>	<u>\$ 820,692</u>	<u>\$ 352,856</u>	<u>\$ 636,734</u>	<u>\$ 2,890,225</u>	<u>\$ 409,216</u>	<u>\$ 3,299,441</u>	<u>\$ 2,886,506</u>
\$ 12,636 3,445 866	\$ 1,152	\$	\$	\$ 50,863 32,346 866	\$ 18,237 18 4,280	\$ 69,100 32,364 5,146	\$ 67,793 30,996 6,505

CITY OF MILWAUKEE
COMBINED BALANCE SHEET -
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2001
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2000
(Thousands of Dollars)

Exhibit 1 (Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities (Continued):				
Due to other funds	\$	\$ 8,543	\$ 1,194	\$ 617
Due to primary government				
Due to component units		973		
Due to other governmental agencies		776		6,284
Bonds and notes payable - current				
General obligation debt payable - current				
Deferred revenue	1,832	12,733	36,636	15,010
Bond anticipation notes payable				
Bonds and notes payable				
General obligation debt				
Unfunded compensated absences				
Unfunded claims and judgments				
Revenue bonds payable				
Other payables				12,222
Advances from other governmental agencies				
Other liabilities				
Total Liabilities	\$ 51,703	\$ 28,300	\$ 37,830	\$ 44,963
Fund Equity and Other Credits:				
Contributed capital	\$	\$	\$	\$
Investment in general fixed assets				
Retained Earnings:				
Unreserved				
Reserved for restricted assets				
Fund Balances:				
Reserved for debt service - 2002 (2001)		13,381	42,137	
Reserved for future retirement of general obligation debt		507	72,849	
Reserved for delinquent taxes receivable		8,597		
Reserved for encumbrances, prepaids, and carryovers	22,460			21,658
Reserved for inventory	5,678			203
Reserved for mortgage trust	281			
Reserved for environmental remediation	303			
Reserved for deferred compensation				
Reserved for tax stabilization - 2002 (2001)	11,000			
Reserved for tax stabilization - 2003 (2002) and subsequent years' budgets	29,122			
Unreserved:				
Special assessment (deficit)				(12,385)
Undesignated				
Total Fund Equity and Other Credits	\$ 68,844	\$ 22,485	\$ 114,986	\$ 9,476
Total Liabilities, Fund Equity and Other Credits	\$ 120,547	\$ 50,785	\$ 152,816	\$ 54,439

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Type Enterprise	Fiduciary Fund Type Trust and Agency	Account Groups		Totals (Memorandum Only) Primary Government	Component Units	Totals (Memorandum Only) Reporting Entity	
		General Fixed Assets	General Long-Term Obligations			2001	2000 (Restated)
\$ 14,198	\$	\$	\$	\$ 24,552	\$	\$ 24,552	\$ 13,171
				-	22,394	22,394	17,270
				973		973	2,112
	124,805			131,865	10,809	142,674	68,085
				-	2,672	2,672	2,454
9,659				9,659		9,659	9,496
61	200,640			266,912	3,923	270,835	261,072
				-		-	6,258
	112,000			112,000	8,420	120,420	110,642
67,905			566,429	634,334		634,334	596,573
			33,360	33,360		33,360	30,534
			36,945	36,945		36,945	43,520
44,361				44,361	11,461	55,822	28,451
				12,222		12,222	12,694
				-	7,963	7,963	1,358
				-	4,914	4,914	3,324
<u>\$ 153,131</u>	<u>\$ 438,597</u>	<u>\$ -</u>	<u>\$ 636,734</u>	<u>\$ 1,391,258</u>	<u>\$ 95,091</u>	<u>\$ 1,486,349</u>	<u>\$ 1,312,308</u>
\$ 303,614	\$	\$	\$	\$ 303,614	\$ 289,516	\$ 593,130	\$ 413,259
		352,856		352,856		352,856	329,186
221,246				221,246	24,609	245,855	248,121
23,365				23,365		23,365	
				55,518		55,518	43,481
				73,356		73,356	74,007
				8,597		8,597	7,963
				44,118		44,118	43,164
				5,881		5,881	6,213
				281		281	281
				303		303	304
	374,371			374,371		374,371	387,461
				11,000		11,000	5,500
				29,122		29,122	17,909
				(12,385)		(12,385)	(11,745)
	7,724			7,724		7,724	9,094
<u>\$ 548,225</u>	<u>\$ 382,095</u>	<u>\$ 352,856</u>	<u>\$ -</u>	<u>\$ 1,498,967</u>	<u>\$ 314,125</u>	<u>\$ 1,813,092</u>	<u>\$ 1,574,198</u>
<u>\$ 701,356</u>	<u>\$ 820,692</u>	<u>\$ 352,856</u>	<u>\$ 636,734</u>	<u>\$ 2,890,225</u>	<u>\$ 409,216</u>	<u>\$ 3,299,441</u>	<u>\$ 2,886,506</u>

CITY OF MILWAUKEE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2000
(Thousands of Dollars)

Exhibit 2

	General	Special Revenue
Revenues:		
Property taxes	\$ 118,804	\$
Other taxes	12,688	
Special assessments		
Licenses and permits	10,485	
Intergovernmental	278,969	61,220
Charges for services	54,594	
Fines and forfeits	4,408	
Other	12,408	998
Total Revenues	\$ 492,356	\$ 62,218
Expenditures:		
Current:		
General government	\$ 162,628	\$ 1,619
Public safety	209,521	13,758
Public works	87,453	3,566
Health	11,237	11,800
Culture and recreation	16,948	2,202
Conservation and development	7,922	28,280
Other		
Capital outlay		
Debt Service:		
Principal retirement		
Interest		
Total Expenditures	\$ 495,709	\$ 61,225
Excess of Revenues over (under) Expenditures	\$ (3,353)	\$ 993
Other Financing Sources (Uses):		
Proceeds of bonds and notes	\$ 7,071	\$ 13,585
Payment to refunded bond escrow agent		
Operating transfers in	24,365	
Operating transfers out	(104)	(13,045)
Operating transfers to component units	(150)	
Contributions received	675	
Contributions used	(462)	
Total Other Financing Sources (Uses)	\$ 31,395	\$ 540
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ 28,042	\$ 1,533
Fund Balances - January 1	38,894	21,008
Residual Equity Transfers from Other Funds	1,921	
Residual Equity Transfers to Other Funds	(13)	(56)
Fund Balances - December 31	\$ 68,844	\$ 22,485

The notes to the financial statements are an integral part of this statement.

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only) Reporting Entity</u>	
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>2001</u>	<u>2000</u>
\$ 69,691	\$ 2,161	\$	\$ 190,656	\$ 158,718
1,358			14,046	13,859
	3,807		3,807	3,930
	8,504		10,485	10,154
			348,693	348,157
			54,594	45,383
			4,408	18,036
<u>26,342</u>	<u>6,265</u>	<u>11,618</u>	<u>57,631</u>	<u>69,462</u>
<u>\$ 97,391</u>	<u>\$ 20,737</u>	<u>\$ 11,618</u>	<u>\$ 684,320</u>	<u>\$ 667,699</u>
\$ 2	\$	\$	\$ 164,249	\$ 159,103
			223,279	235,157
			91,019	105,374
			23,037	23,568
			19,150	19,764
			36,202	34,074
		26,195	26,195	23,054
	104,479		104,479	77,629
71,904			71,904	70,143
<u>26,581</u>			<u>26,581</u>	<u>23,733</u>
<u>\$ 98,487</u>	<u>\$ 104,479</u>	<u>\$ 26,195</u>	<u>\$ 786,095</u>	<u>\$ 771,599</u>
<u>\$ (1,096)</u>	<u>\$ (83,742)</u>	<u>\$ (14,577)</u>	<u>\$ (101,775)</u>	<u>\$ (103,900)</u>
\$ 23,216	\$ 76,853	\$	\$ 120,725	\$ 91,227
(23,216)			(23,216)	
28,686		104	53,155	37,842
(16,628)	(2,883)		(32,660)	(34,961)
			(150)	(150)
			675	536
			<u>(462)</u>	<u>(685)</u>
<u>\$ 12,058</u>	<u>\$ 73,970</u>	<u>\$ 104</u>	<u>\$ 118,067</u>	<u>\$ 93,809</u>
\$ 10,962	\$ (9,772)	\$ (14,473)	\$ 16,292	\$ (10,091)
104,443	22,732	396,555	583,632	597,123
3,484		13	5,418	473
<u>(3,903)</u>	<u>(3,484)</u>		<u>(7,456)</u>	<u>(3,873)</u>
<u>\$ 114,986</u>	<u>\$ 9,476</u>	<u>\$ 382,095</u>	<u>\$ 597,886</u>	<u>\$ 583,632</u>

CITY OF MILWAUKEE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND BUDGETED SPECIAL REVENUE FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001
(Thousands of Dollars)

Exhibit 3

			General Fund
	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Property taxes	\$ 118,804	\$ 118,804	\$ -
Other taxes	12,113	12,688	575
Licenses and permits	8,817	10,485	1,668
Intergovernmental	278,732	278,969	237
Charges for services	55,401	54,594	(807)
Fines and forfeits	5,510	4,408	(1,102)
Other	13,085	12,408	(677)
Total Revenues	\$ 492,462	\$ 492,356	\$ (106)
Expenditures:			
Current:			
General government	\$ 171,803	\$ 162,628	\$ 9,175
Public safety	210,274	209,521	753
Public works	87,574	87,453	121
Health	11,370	11,237	133
Culture and recreation	17,351	16,948	403
Conservation and development	8,688	7,922	766
Total Expenditures	\$ 507,060	\$ 495,709	\$ 11,351
Excess of Revenues over (under) Expenditures	\$ (14,598)	\$ (3,353)	\$ 11,245
Other Financing Sources (Uses):			
Operating transfers in	\$ 22,708	\$ 24,365	\$ 1,657
Operating transfers out	(104)	(104)	-
Operating transfers to component units	(150)	(150)	-
Contributions received	675	675	-
Contributions used	(463)	(462)	1
Use of fund balance - reserved for tax stabilization	5,500	5,500	-
Total Other Financing Sources (Uses)	\$ 28,166	\$ 29,824	\$ 1,658
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ 13,568	\$ 26,471	\$ 12,903
Fund Balances - January 1 (Excludes Reserved for Tax Stabilization)	40,465	40,465	-
Residual Equity Transfers from Other Funds	10	1,921	1,911
Residual Equity Transfers to Other Funds	-	(13)	(13)
Fund Balances (Deficits) - December 31	\$ 54,043	\$ 68,844	\$ 14,801

The notes to the financial statements are an integral part of this statement.

Special Revenue Funds			Totals (Memorandum Only) Reporting Entity		
Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
\$	\$	\$ -	\$ 118,804	\$ 118,804	\$ -
		-	12,113	12,688	575
		-	8,817	10,485	1,668
61,647	61,220	(427)	340,379	340,189	(190)
		-	55,401	54,594	(807)
		-	5,510	4,408	(1,102)
		-	13,085	12,408	(677)
<u>\$ 61,647</u>	<u>\$ 61,220</u>	<u>\$ (427)</u>	<u>\$ 554,109</u>	<u>\$ 553,576</u>	<u>\$ (533)</u>
\$ 1,558	\$ 1,558	\$ -	\$ 173,361	\$ 164,186	\$ 9,175
13,797	13,758	39	224,071	223,279	792
3,571	3,566	5	91,145	91,019	126
12,233	11,800	433	23,603	23,037	566
2,208	2,202	6	19,559	19,150	409
<u>28,280</u>	<u>28,280</u>	<u>-</u>	<u>36,968</u>	<u>36,202</u>	<u>766</u>
<u>\$ 61,647</u>	<u>\$ 61,164</u>	<u>\$ 483</u>	<u>\$ 568,707</u>	<u>\$ 556,873</u>	<u>\$ 11,834</u>
\$ -	\$ 56	\$ 56	\$ (14,598)	\$ (3,297)	\$ 11,301
\$	\$	\$ -	\$ 22,708	\$ 24,365	\$ 1,657
		-	(104)	(104)	-
		-	(150)	(150)	-
		-	675	675	-
		-	(463)	(462)	1
		-	5,500	5,500	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,166</u>	<u>\$ 29,824</u>	<u>\$ 1,658</u>
\$ -	\$ 56	\$ 56	\$ 13,568	\$ 26,527	\$ 12,959
		-	40,465	40,465	-
		-	10	1,921	1,911
	(56)	(56)	-	(69)	(69)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,043</u>	<u>\$ 68,844</u>	<u>\$ 14,801</u>

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**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2001
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2000
(Thousands of Dollars)**

	Enterprise Primary Government	Component Units	Totals (Memorandum Only) Reporting Entity 2001 (Restated)	2000 (Restated)
Operating Revenues:				
Charges for services	\$ 187,016	\$ 22,157	\$ 209,173	\$ 147,234
Operating Expenses:				
Milwaukee Metropolitan Sewerage District charges	\$ 24,871	\$	\$ 24,871	\$ 26,211
Employee services	33,583	892	34,475	11,913
Administrative and general	5,202	20,025	25,227	25,303
Housing assistance payments		18,292	18,292	17,016
Depreciation	14,887	15,555	30,442	29,190
Transmission and distribution	16,492		16,492	16,683
Maintenance and utilities		15,112	15,112	13,333
Services, supplies and materials	34,349	104	34,453	13,353
Payment in lieu of taxes	8,922		8,922	9,156
Water treatment	8,295		8,295	7,919
Water pumping	4,990		4,990	5,051
Billing and collection	4,084		4,084	3,532
Bad debts		(510)	(510)	859
Interest expense and subsidies		80	80	88
Rehabilitation costs (cost recoveries)		6,460	6,460	4,174
Show expenses		148	148	198
Other operating expenses		372	372	1,220
Total Operating Expenses	\$ 155,675	\$ 76,530	\$ 232,205	\$ 185,199
Operating Income (Loss)	\$ 31,341	\$ (54,373)	\$ (23,032)	\$ (37,965)
Nonoperating Revenues (Expenses):				
Federal grants and subsidies	\$	\$ 59,417	\$ 59,417	\$ 35,250
Interest income	617	3,928	4,545	6,429
Interest expense	(4,654)	(1,950)	(6,604)	(7,088)
Loss on early repayments of Tax Incremental Districts		(816)	(816)	
Net gain (loss) on sale of fixed assets		(197)	(197)	(12,163)
Contributions		129	129	139
Other	(401)	3,634	3,233	1,341
Total Nonoperating Revenues (Expenses)	\$ (4,438)	\$ 64,145	\$ 59,707	\$ 23,908
Income (Loss) before Operating Transfers	\$ 26,903	\$ 9,772	\$ 36,675	\$ (14,057)
Operating Transfers In	9,018		9,018	9,467
Operating Transfers Out	(29,513)		(29,513)	(12,348)
Operating Transfers from Primary Government		150	150	150
Net Income (Loss) before Capital Contributions	\$ 6,408	\$ 9,922	\$ 16,330	\$ (16,788)
Capital Contributions	3,593	3,041	6,634	
Net Income (Loss)	\$ 10,001	\$ 12,963	\$ 22,964	\$ (16,788)
Retained Earnings - January 1, as restated	236,475	11,646	248,121	264,909
Residual Equity Transfer to Other Funds	(1,865)		(1,865)	-
Retained Earnings - December 31	\$ 244,611	\$ 24,609	\$ 269,220	\$ 248,121

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2001
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2000
(Thousands of Dollars)

Exhibit 5

	Enterprise	Component	Totals (Memorandum Only) Reporting Entity	
	Primary Government	Units	2001	2000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ 31,341	\$ (54,373)	\$ (23,032)	\$ (37,965)
Adjustments to Reconcile Operating Income (Loss) to Cash				
Provided by (Used for) Operating Activities:				
Depreciation	14,887	15,555	30,442	29,190
Bad debt expense		(510)	(510)	859
(Gain) loss on properties		(197)	(197)	11,724
Other nonoperating revenues (expenses)	560		560	425
(Increase) decrease in receivables	(2,411)	(11,037)	(13,448)	(12,346)
(Increase) decrease in due from other funds	50		50	(158)
(Increase) decrease in due from primary government		1,139	1,139	(2,094)
(Increase) decrease in due from other governmental agencies		2,412	2,412	(9,077)
(Increase) decrease in inventory of materials and supplies	(433)		(433)	1,063
(Increase) decrease in inventory of property for resale		513	513	4,220
(Increase) decrease in prepaid items	77	(355)	(278)	(126)
(Increase) decrease in deferred charges	(365)		(365)	(2)
(Increase) decrease in other assets	616	(599)	17	176
Increase (decrease) in accounts payable	(499)	7,690	7,191	6,265
Increase (decrease) in accrued wages	209		209	53
Increase (decrease) in accrued expenses	866	(2,225)	(1,359)	1,623
Increase (decrease) in due to other funds	9,465		9,465	(2,298)
Increase (decrease) in due to primary government		5,304	5,304	1,502
Increase (decrease) in due to other governmental agencies		5,208	5,208	(5,319)
Increase (decrease) in deferred revenue	10	(7,601)	(7,591)	6,200
Increase (decrease) in other liabilities		1,520	1,520	2,386
Net Cash Provided by (Used for) Operating Activities	\$ 54,373	\$ (37,556)	\$ 16,817	\$ (3,699)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfers to other funds	\$ (20,755)	\$	\$ (20,755)	\$ (3,152)
Other nonoperating revenues (expenses)		9,297	9,297	4,179
Contributions		54,195	54,195	31,066
Proceeds from bonds and notes payable		10,596	10,596	1,765
Retirement of bonds, notes and revenue bonds		(3,647)	(3,647)	(773)
Residual Equity transfer to other funds	(1,865)		(1,865)	
Net increase (decrease) in due to primary government		(182)	(182)	296
Loss on early repayment of Tax Incremental Districts		(816)	(816)	
Operating transfer from primary government		150	150	150
Net Cash Provided by (Used for) Noncapital Financing Activities	\$ (22,620)	\$ 69,593	\$ 46,973	\$ 33,531
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	\$ 4,028	\$ 958	\$ 4,986	\$ 34,667
Proceeds from bond anticipation notes			-	6,258
Proceeds from sale of bonds and notes	10,440		10,440	4,891
Proceeds from sale of revenue bonds	29,862		29,862	
Bond issuance costs	(416)		(416)	
Acquisition of property, plant and equipment	(20,531)	(35,118)	(55,649)	(64,867)
Retirement of bonds, notes and revenue bonds	(15,783)	(58)	(15,841)	(8,713)
Payment to refunded bond escrow agent	(7,689)		(7,689)	

CITY OF MILWAUKEE
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2001
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2000
(Thousands of Dollars)

Exhibit 5 (Continued)

	Enterprise Primary Government	Component Units	Totals (Memorandum Only) Reporting Entity 2000 (Restated)
	2001		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES (Continued):			
Retirement of general obligation debt	\$	\$	\$
Interest paid	(4,644)	(1,950)	(6,594)
Sale of land and other assets			26
Transfer to fiscal agent	(29,975)		(29,975)
Transfer from fiscal agent	6,258		6,258
Operating transfers to other funds	260		271
Repairs and restorations	(1,394)		(422)
Decrease in fiscal agent funds		487	11,135
Net proceeds from sale of property, plant and equipment			(1,271)
Net Cash Provided by (Used for) Capital and Related Financing Activities ...	\$ (29,584)	\$ (35,681)	\$ (65,265)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	\$ 612	\$ 3,928	\$ 4,540
Increase (decrease) in fiscal agent funds	23,365		23,365
Purchases of investments		(26,849)	(17,243)
Proceeds from the sale and maturity of investments	4,000	22,384	13,649
New loans made		(9,332)	(11,916)
Loan payments received		13,465	6,511
(Increase) decrease in accrued interest		51	(31)
Capital expenditures on properties		(1,568)	(2,460)
Proceeds from the sale of properties		753	877
Other		1,365	1,038
Net Cash Provided by (Used for) Investing Activities	\$ 27,977	\$ 4,197	\$ 32,174
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 30,146	\$ 553	\$ 30,699
Cash and Cash Equivalents at January 1	20,022	35,000	55,022
Cash and Cash Equivalents at December 31	\$ 50,168	\$ 35,553	\$ 85,721
Cash and Cash Equivalents at December 31 Consist of:			
Unrestricted cash	\$ 26,803	\$ 33,744	\$ 60,547
Restricted cash	23,365	1,809	25,174
	\$ 50,168	\$ 35,553	\$ 85,721

Non-cash Activities:

Enterprise Funds:

The Port of Milwaukee disposed of \$30 fully depreciated fixed assets during the year.
During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of \$138.
During the year, the city transferred \$179,871,000 (net book value) of infrastructure assets to the Sewer Maintenance Fund.

Component Units:

Pabst Theater recorded equipment purchases of \$1,616 paid directly by the City of Milwaukee.

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying general purpose financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The following is a summary of the significant accounting policies.

A. Reporting Entity

The City of Milwaukee (the "City") was incorporated on January 31, 1846, and operates under a Council-Mayor form of government. These financial statements present the City (the primary government) and other organizations, including component units, for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are legally separate organizations for which the elected officials of the City are accountable. The City is considered financially accountable if it appoints a voting majority of the organization's governing body and is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to or burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the primary government.

Blended Component Units

The City does not have any component units that are considered "blended."

Discretely Presented Component Units

The component units columns in the general purpose financial statements include the financial data of the City's component units. They are reported in a separate column to emphasize that they are legally separate from the City.

COMPONENT UNITS ENTERPRISE FUNDS

Housing Authority - This entity is used to account for the Federal and State grants relating primarily to low income housing and rental assistance programs. The entire governing board is appointed by the Mayor of the City. The daily operations of the Housing Authority of the City of Milwaukee (HACM) are managed by City employees.

Milwaukee Economic Development Corporation - The Milwaukee Economic Development Corporation (MEDC) is a nonstock, nonprofit organization formed to promote economic development within the City. The principal objective of the Corporation is to benefit the community by fostering increased employment through expansion of business and industry within the metropolitan Milwaukee area. MEDC's primary source of funds is interest on loans originally granted through the City.

Neighborhood Improvement Development Corporation - The Neighborhood Improvement Development Corporation (NIDC) is a nonprofit corporation established to promote reinvestment in both housing and commercial structures within the City. NIDC programs encourage private lending institutions and property owners to make improvements to the community's homes and businesses. Corporate officers of NIDC are provided by the City and daily operations are managed by City employees.

Pabst Theater - The City established the Pabst Theater as a municipal theater pursuant to Wisconsin Statutes. A separate board (Pabst Theater Board) is responsible for the maintenance, supervision and operation of the theater. The City issued debt to finance building repairs and annually provides significant subsidies to the Pabst Theater.

Redevelopment Authority - The Redevelopment Authority of the City of Milwaukee (RACM) is responsible for activities related to the prevention and elimination of blight and slum conditions in the City. The City appoints all members of the Board and approves the budget.

Financial statements of the individual component units can be obtained from their respective administrative offices.

The general purpose financial statements exclude the accounts of the Wisconsin Center District, Milwaukee Public Schools, the Milwaukee Metropolitan Sewerage District, World Festivals Inc. ("Summerfest") and the Employees' Retirement System of the City of Milwaukee, because these entities operate with separate governing boards and do not meet the criteria established by the Governmental Accounting Standards Board (GASB) Statement 14 as component units of the City. The Milwaukee Metropolitan Sewerage District (MMSD) is a special purpose municipal corporation created to provide sewerage treatment services in the Milwaukee metropolitan area. The City is responsible for paying usage charges within its jurisdiction. These amounts, in turn, are billed by the City to its water customers. The City has no equity interest in MMSD. Financial statements for MMSD can be obtained from its administrative office.

B. Fund Accounting

The accounts of the City are organized on the basis of funds and account groups. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and expenditures or expenses, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term obligations. The various funds are grouped in the accompanying financial statements into eight generic fund types and three broad fund categories as follows:

GOVERNMENTAL FUND TYPES

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Grant and Aid Projects - This Fund is used to account for Federal and State grants whose proceeds are legally restricted to expenditures for specific purposes and which are not accounted for in other special revenue funds.

Community Development Block Grant - The Community Development Block Grant Program receives annual grants pursuant to the Federal Housing and Community Development Act of 1974. This fund also includes amounts received under the Section 108 Loan Program. The City's Department of Administration is responsible for the planning, execution and evaluation of the Program.

Delinquent Tax - This Fund was established as a reserve against uncollected delinquent property taxes. Fund resources, consisting initially of bond proceeds, are used to purchase delinquent property taxes from the General Fund. Collections on these purchased receivables and related interest thereon are transferred to the General Obligation Debt Service Fund to provide for the related debt service requirements.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources and the payment of principal and interest on long-term general obligation debt and expenditures incurred in connection with administration of the Public Debt Amortization Fund.

General Obligation Debt - Principal and interest on the City's outstanding long-term general obligation debt are paid from this Fund.

Public Debt Amortization - The Public Debt Amortization Fund is governed by Section 67.101 of the Wisconsin Statutes for the retirement of the public debt. See Note 5 for further discussion.

Capital Projects Funds - Capital Projects Funds are used to account for the financial resources segregated for the acquisition or construction of major capital facilities other than those financed by proprietary funds. Capital Projects Funds are identified as follows:

Bridges - To account for the financing, construction and repair of bridges and viaducts.

Buildings and Grounds - To account for the financing, construction and repair of buildings and improvements to city-owned land and playgrounds.

Sewers - To account for the financing and construction of new and replacement storm, sanitary and combined sewer projects.

Urban Renewal - To account for the financing and costs of activities undertaken to prevent and eliminate blight and slum conditions.

Streets - To account for the financing and construction of new and replacement streets, alleys and sidewalks; and for the cost of installation of street lights, traffic lights, parking signs and communication equipment.

Tax Incremental Districts - To account for the financing and costs of redeveloping blighted areas which are eligible under the Wisconsin Tax Incremental law, Section 66.46 of the Wisconsin Statutes.

Special Assessments - To account for the financing and construction of the City's assessable projects. Upon completion, owners of benefited property are assessed for construction costs incurred.

PROPRIETARY FUND TYPES

Enterprise Funds - Enterprise Funds are used to account for operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Metropolitan Sewerage District User Charge - The Metropolitan Sewerage District User Charge Fund is used to account for sewerage treatment charges by the Milwaukee Metropolitan Sewerage District to the City on a "wholesale" user charge basis and the subsequent billing by the City to customers on a "retail" basis. The City adds administrative expense to the District's charges and includes the sewer user charges on the quarterly water bills.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

Parking. - The Parking Fund was established to account for revenues derived from parking meters, parking permits, rentals and leasing of parking facilities and other revenues attributable to parking. The revenues are used to defray administrative and operational costs related to parking operations, and to acquire, landscape and construct parking lots and structures.

Port of Milwaukee - All activities necessary to operate and maintain the Port of Milwaukee and other related harbor activities are accounted for in this Fund.

Sewer Maintenance - The Sewer Maintenance Fund, in accordance with Wisconsin State Statutes Section 66.076, permits municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

Solid Waste - The Solid Waste Fund is used to account for the entire Department of Public Works - Sanitation Division. State Statutes, Section 66.076, permits municipalities to implement a special charge for current services which may allocate all or part of the service costs onto the properties served. The City established the fund to recover approximately 25% of solid waste collection costs through a user fee. The remaining costs as well as snow and ice removal will be subsidized through the general fund. The fund was closed effective December 31, 2001.

Water Works - All activities necessary to provide water services to residents of the City and outlying areas are accounted for in this Fund. Fund activities include administration, billing and collection, operations, maintenance and financing.

FIDUCIARY FUND TYPES

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held in trust or as an agent by the City for others. Expendable trust funds are accounted for and reported in essentially the same manner as governmental funds. Agency funds are custodial in nature and are used to account for assets held by the City as an agent for individuals, private organizations, other governmental units and other funds.

Expendable Trust Funds

Property Tax Collection - This Fund is used to account for advance property tax collections for the subsequent year's budget.

Deposits and Other Trust Funds - This Fund is used to account for the receipt and disposition of performance deposits, and for deposits the City holds in the capacity of trustee for various individuals, governmental entities and nonpublic organizations.

Deferred Compensation - The City's deferred compensation plan for City employees is accounted for in this fund in accordance with GASB No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.

Agency Fund - Monies collected by the City for other governmental entities are reported in the Agency Funds.

ACCOUNT GROUPS

General Fixed Assets Account Group - General fixed assets of the City, other than those reported in the enterprise fund are reported in this account group.

General Long-Term Obligations Account Group - General long-term debt and certain unfunded liabilities of governmental funds are accounted for in the General Long-Term Obligations Account Group.

C. Measurement Focus

The measurement focus of all governmental and expendable trust funds is the flow of current financial resources concept. Under this measurement focus, sources and uses of financial resources, including capital outlays, bond proceeds and retirement are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions, which will not be currently liquidated using expendable available financial resources, are shown in the General Long-Term Obligations Account Group. The related expenditures are recognized when the liabilities are liquidated.

The measurement focus of proprietary funds and component unit enterprise funds is on the determination of net income, financial position and cash flows. Under this measurement focus, revenues and expenses are matched using the accrual basis of accounting. All fixed assets are capitalized at historical cost and depreciated over their useful lives.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

D. Basis of Accounting

All governmental, expendable trust, and assets and liabilities of agency funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures and commitments of the current period. Significant revenues susceptible to accrual include most governmental revenues and charges for services. Licenses and permits, fines and forfeits generally are recorded as revenues when received in cash because they are not measurable until actually received. Special assessments are recognized as revenues when they are due.

Under the modified accrual basis of accounting, expenditures are recognized when the related liability is incurred, if measurable, except for interest on general long-term debt and unfunded claims, judgments, compensated absences and pension contributions, which are recorded in the general long-term debt account group and expensed when due.

The proprietary funds and component unit enterprise funds follow the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period they are incurred.

Cash and cash equivalents

For purposes of the statements of cash flows, all highly liquid investments (including restricted cash and investments) purchased with a maturity of three months or less are considered to be cash equivalents. The City manages a cash and investment pool to maximize return on funds while providing liquidity to meet day to day obligations. Each fund's equity in the City's investment pool is considered to be a cash equivalent, since the funds can deposit or effectively withdraw cash at anytime without prior notice or penalty. The Housing Authority considers amounts on deposit with fiscal agents to be investments and not cash equivalents due to their restrictive nature.

Investments

Investments, primarily consisting of fixed income securities, are reported at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Commercial paper, which is short-term, defined as having an original maturity of one year or less, and highly liquid is carried at amortized cost.

Investment income, including changes in the fair value of investments, is recognized as revenue in the Statements of Revenues, Expenditures, and Changes in Fund Balances and the Statements of Revenues, Expenses, and Changes in Retained Earnings. Realized gains and losses, defined as the difference between the proceeds of the sale and the original cost of the investments sold, are also included in investment income.

Accrued interest on investments is recorded as earned, since it is both measurable and available. Investment transactions are recorded on the trade date.

Wisconsin Statutes permit the City to invest funds not immediately needed in any of the following:

- Time deposits maturing within three years in any credit union, bank, savings bank, trust company or savings and loan association which are authorized to transact business in the State of Wisconsin.
- Bonds or securities issued or guaranteed by the Federal government.
- Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the State of Wisconsin, as well as bonds issued by a local exposition district, a local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority.
- Local Government Pooled - Investment Fund of the State of Wisconsin.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Any Security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, Inc. or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- Securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities.

**CITY OF MILWAUKEE
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Property taxes

Property taxes are recorded as receivables and deferred revenues in a trust fund in the year levied because the taxes are restricted to funding the succeeding year's budget appropriations. Property tax payments received prior to year end are also reflected in a trust fund. Property taxes are recognized in the appropriate governmental funds as revenues in the succeeding year when they are collected and available to finance City services. If not collected at year end, the delinquent property taxes are reflected as receivables and deferred revenues. Delinquent property taxes and related interest are recognized as revenues when collected.

The allowance for uncollectible property taxes is based on an analysis of the delinquent property taxes and, in management's judgment, represents an amount adequate to provide for potential uncollectible taxes. The allowance is increased by provisions charged to revenues and is reduced by taxes receivable written off.

Property taxes receivable purchased from other taxing authorities are presented in the accompanying financial statements net of an allowance for estimated uncollectible amounts.

The City, through its Special Revenue Fund - Delinquent Tax, issues general obligation short-term promissory notes to finance the purchase of the most recent delinquent taxes from its General Fund. Collections on these delinquencies are used for the associated debt service requirements.

Unbilled services

Unbilled water and sewer services at year end are recognized as revenues and receivables in the accompanying financial statements.

Special assessments

Special assessments consist of capital projects constructed through non-special assessment debt. Special assessments are recorded as receivables and deferred revenues when the related capital outlays are made and are recorded as revenues when due and payable. All special assessments are due when billed and may be paid on an installment basis with interest. Special assessment receivables that become delinquent are added to the general tax roll. The method of enforcing collections is the same as for general city taxes with like force and effect.

Notes and loan receivables

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses and corporations in the Milwaukee area which are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary.

The City creates tax incremental districts (TID) to issue debt to fund redevelopment projects. Pursuant to a cooperation agreement between the City, the Redevelopment Authority of the City of Milwaukee (Authority), and the Milwaukee Economic Development Corporation (Corporation), the City provides the Authority and the Corporation with the funds necessary to carry out the loan to a private developer to finance the redevelopment projects. Loan repayments to the Authority and the Corporation from the private developer, including interest income as well as other project income, are transferred to the City until the City's loan has been repaid or the TID expires. The City reflects these loans as notes receivable and deferred revenue in an amount estimated to be repaid from the Authority and the Corporation.

Inventories

Inventories of materials and supplies are stated at moving average cost, based upon perpetual recordkeeping systems and periodic cycle counts of quantities on hand. Inventories are accounted for under the consumption method, whereby inventory acquisitions are recorded in inventory accounts initially and charged as expenditures or expenses when requisitioned for use. Inventories in governmental funds are reserved for in fund balance, because inventories are not expendable available financial resources.

Prepaid items

Cash payments benefiting future periods have been recorded as prepaid items. They will be reflected as expenditures or expenses when incurred in the subsequent year. Prepaid items in governmental funds are reserved for in fund balance, because prepaids are not expendable available financial resources.

Property, plant and equipment

General fixed assets are recorded as expenditures in the governmental funds when purchased or constructed. Subsequently, the general fixed assets, except for infrastructures, are capitalized in the General Fixed Assets Account Group. Infrastructure assets such as roads, bridges, curbs, gutters, streets, sidewalks and drainage and lighting systems are not recorded in the General Fixed Assets Account Group.

**CITY OF MILWAUKEE
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Assets are recorded at historical cost or estimated historical cost. Assets received as gifts or donations are recorded at fair market value at time of receipt.

Depreciation is not recorded on general fixed assets.

Fixed assets of the proprietary funds and component units are capitalized at cost when purchased or constructed. When the fixed assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts, and the gain or loss on disposition is generally reflected in operations. Maintenance and repair costs are charged to operations as incurred and renewals and improvements are added to the asset accounts. Interest cost was not capitalized during construction for 2001.

Depreciation is provided over the estimated useful lives using the straight-line method. The estimated depreciation lives in years are as follows:

	Parking	Port of Milwaukee	Water Works	Sewer Maintenance	Component Units
Buildings and improvements	20-40	10-50	45-58		7-80
Machinery and equipment	10	3-40	6-56	3-7	3-20
Water transmission and distribution systems			64-110		

Pension contributions

Pension contributions made on behalf of the employees are recorded in all funds as an expenditure when the liability is incurred. The employer's share of the annual contribution is recorded in the proprietary funds as an expense when the liability is incurred and in the governmental funds as an expenditure when the liability is liquidated with expendable available financial resources.

Compensated absences

Vacation pay is recorded as a liability in the General Long-Term Obligations Account Group as the benefits accrue to the employees. Accrued vacation pay is recognized as an expenditure when liquidated with expendable available financial resources. At year end, accrued vacation pay that will not be liquidated with expendable available financial resources is reported as a liability in the General Long-Term Obligations Account Group. Vacation benefits are recorded as expenses in the proprietary funds over the periods the benefits accrue to the employees.

City employees accrue sick leave in accordance with labor agreements or Section 350-37 of the Code of Ordinances. Sick leave is recorded as an expenditure or expense when paid. Upon retirement, employees are entitled to payment for a portion of accumulated sick leave as terminal leave. The liability for terminal leave is described in Note 6.

Claims and judgments

Claims and judgments are recorded as liabilities when they are both probable and estimable. Claims and judgments that are expected to be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not expected to be liquidated with expendable available financial resources, a liability is recorded in the General Long-Term Obligations Account Group. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the proprietary funds as expenses when the related liabilities are incurred.

The City accrues environmental remediation obligations when related liabilities are probable and reasonably estimable. These accruals generally are recognized no later than completion of a remedial feasibility study and are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Encumbrances and carryovers

Encumbrance accounting is employed in the governmental funds. Encumbrances of purchase orders, contracts and other commitments for the expenditure of funds are recorded as reservations of fund balance until expended. Encumbrances are not reflected as expenditures. Expenditures are recorded and encumbrances are liquidated when the services or materials are received. Appropriations not encumbered and not carried over by action of the Common Council lapse at year end. Unencumbered appropriations, authorized for carry-over, are recorded as reservations of fund balance.

**CITY OF MILWAUKEE
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Intergovernmental revenues

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2001 that will be collected in 2002 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Interest on general obligation long-term and special assessment debt

Interest on general obligation long-term and special assessments debt is recorded as an expenditure when due and payable from the primary government.

Interfund transactions

Transactions between funds are categorized as (1) quasi-external, (2) reimbursements, (3) advances or loans and (4) operating and residual equity transfers.

Quasi-external transactions primarily consist of billings for services rendered between departments and payments in lieu of taxes and are accounted for as revenues and expenditures or expenses in the funds involved if they are similar to transactions with third parties. Reimbursements for expenditures made on behalf of another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund. Advances or loans between funds are accounted for as short or long-term interfund receivables and payables.

Transfers to and from funds and component units to finance current operations are accounted for as operating transfers. Operating transfers are additions or deductions to the excess of revenues over expenditures in the governmental funds, and to net income in the proprietary funds. Transfers between the governmental and proprietary funds for the purchase or construction of fixed assets and other long-term capital needs and the return of capital to the governmental funds are accounted for as residual equity transfers. Residual equity transfers are additions or deductions to fund balances in the governmental funds and to either contributed capital or retained earnings, as appropriate, in the proprietary funds.

Budgets and budgetary accounting

City departments are required to submit their annual budget requests for the ensuing year to the Mayor by the second Tuesday in May. The Department of Administration, Division of Budget and Management Analysis, acting as staff for the Mayor, reviews the request in detail with the departments during June and July. After all of the requests have been reviewed, the Mayor submits his proposed Executive Budget to the Common Council. The City Charter requires that this be done on or before September 28. The Common Council must complete its review and adopt the budget on or before November 14. Once adopted, Common Council approval is required to amend the total appropriations by a department, the legal level of control for each budget. During the year, various amendments were made to the budget including carryovers of appropriations and encumbrances, and internal transfers.

Annual budgets are legally adopted by the Common Council for some but not all governmental funds. Annual budgets are not adopted for Special Revenue Fund - Delinquent Tax, Debt Service Fund - Public Debt Amortization and Capital Projects Funds. The Debt Service Fund - General Obligation Debt uses a non-appropriated budget. Budgets for Capital Projects Funds are prepared for the project life, rather than for the standard current fiscal year. Therefore, project appropriations for these budgets lapse at the conclusion of the project. All other appropriations lapse at the end of the current fiscal year. Governmental funds for which annual budgets have been adopted are included in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.

As of December 31, 2001, the Debt Service Fund - General Obligation Debt has a fund balance of \$42,137,000 reserved for 2002 debt service.

All adopted budgets for the governmental funds are prepared in accordance with the modified accrual basis of accounting, except for the treatment of the fund balance - reserved for tax stabilization. For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared to budget basis is \$5,500,000 at January 1, 2001.

For 2001, expenditures did not exceed appropriations in the General Fund.

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GASB Pronouncements

The Governmental Accounting Standards Board (GASB) Statement No. 20 (Statement) "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting" provides that proprietary funds should apply all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure. The City has elected to apply only FASB, APB and ARB materials issued on or before November 30, 1989 to the proprietary funds and component units.

Accounting Change

The City implemented GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues (an amendment of GASB Statement No. 33). The implementation resulted in a change in presentation of capital contributions on the statements of revenue, expenses and changes in retained earnings. Capital contributions are reflected as part of non-operating revenue as opposed to contributed capital.

New Accounting Pronouncements

GASB recently issued Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis - for State and Local Governments, Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Omnibus, and Statement No. 38, Certain Financial Statement Note Disclosures. The City will implement GASB 34, 37, and 38 for the year ended December 31, 2002. Management is currently evaluating the impact of these statements on the results of operations and financial condition.

Reclassification

Certain amounts in the prior year have been reclassified to be consistent with the current year presentation.

Total columns on the Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned Memorandum Only and are presented for analysis purposes only. Data in these columns do not present financial position, results of operations or cash flows in conformity with accounting principals generally accepted in the United States of America. Such data are not comparable to a consolidation because interfund eliminations have not been made in the aggregation of the data.

Comparative memorandum total data for the prior year have been presented in the accompanying financial statements to provide an understanding of changes in the City's financial position and operation. See note 13 for the impact of restated prior year amounts.

2. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all the funds, except for Debt Service Funds, Water Works Enterprise Fund, and component entities. Under Wisconsin Statutes, one-third of all interest on pooled cash and investments is allocated to the Public Debt Amortization Fund. The remaining two-thirds is credited to the General Fund. Each fund type's portion of pooled cash and investments is included in the cash and cash equivalents line on the Combined Balance Sheet. The Debt Service Funds, Water Works Enterprise Fund, and component units maintain separate cash and investments. In addition, investments are separately held by several other City funds. No violations of legal provisions for deposits and investments were committed during the year.

Deposits

At December 31, 2001, the reported amount of the City's deposits and cash on hand for the primary government was \$60,237,000 and the related bank balance was \$62,305,000. The carrying amounts of the City's deposits and cash on hand for the component units were \$11,041,000, and the related bank balance was \$14,299,000. Bank balances of deposits for accounts maintained by the City Treasurer in the amount of \$1,800,000 are entirely insured and \$3,327,000 are collateralized by securities held in the pledging banks' trust departments in the City's name. The remaining balance of \$57,178,000 is neither insured nor collateralized, nor was this amount significantly exceeded during the year. Of the component units deposits not in the custody of the City Treasurer, \$7,141,000 are entirely insured and \$7,158,000 are uninsured and uncollateralized at the end of the year.

Cash equivalents and investments

The City's primary government and component units cash equivalents and investments are categorized as either (1) insured or registered or securities held by the City or its agent in the City's name, (2) uninsured and unregistered with securities held by the counterparty's trust

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department or agent in the City's name or (3) uninsured or unregistered with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Cash and investments with fiscal agents include \$7,122,000 placed in trust for Housing Authority debt retirement, \$7,677,000 for Redevelopment Authority debt retirement and \$1,086,000 for Milwaukee Economic Development Corporation.

Primary Government:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
<i>(Thousands of Dollars)</i>					
U.S. Treasury Obligations	\$	\$ 63,352	\$	\$ 63,352	\$ 63,352
U.S. Agency Securities		1,011		1,011	1,011
Municipal Bonds and Notes		<u>7,377</u>		<u>7,377</u>	<u>7,377</u>
	<u>\$ -</u>	<u>\$ 71,740</u>	<u>\$ -</u>	<u>\$ 71,740</u>	<u>\$ 71,740</u>
Cash and Investments with Fiscal Agents				29,342	29,342
Local Government Pooled - Investment Fund				382,071	382,071
Institutional Money Market Fund				24,000	24,000
Deferred Compensation Investments				<u>374,371</u>	<u>374,371</u>
Total Cash Equivalents and Investments				<u>\$ 881,524</u>	<u>\$ 881,524</u>
Component Units:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
<i>(Thousands of Dollars)</i>					
U. S. Treasury Obligations	\$ 441	\$	\$ 6,008	\$ 6,449	\$ 6,449
Cash and Investments with Fiscal Agents				15,985	15,985
Local Government Pooled - Investment Fund				<u>34,851</u>	<u>34,851</u>
Total Cash Equivalents and Investments	<u>\$ 441</u>	<u>\$ -</u>	<u>\$ 6,008</u>	<u>\$ 57,285</u>	<u>\$ 57,285</u>

The pooled investments have not been categorized based on custodial risk because they are not securities. The relationship between the City and the investment agent is a direct contractual relationship, and the investments are not supported by a transferable instrument that evidences ownership or creditorship. The Local Government Pooled - Investment Fund is an external investment pool administered by the State of Wisconsin. The fair value of the City's investment in the fund is the same as the value of the pooled shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin Statutes.

3. PROPERTY TAXES

The City's property taxes are levied on or before December 31, on the assessed (taxable) value as of the prior January 1, for all general property located in the City. Taxes become a lien against the property upon filing the roll in the Office of the City Clerk. This generally takes place in December. The taxes are due January 31, but may be paid in ten monthly installments without interest from January through October. Foreclosure can be commenced after one year from date of delinquency.

The City purchases property taxes receivable from other taxing authorities at the unpaid amounts to facilitate the collection of the taxes. The purchases are a financing arrangement and are not included in property tax revenues. Also, delinquent water and sewer charges and special assessment receivables are transferred to the General Fund at the unpaid amounts.

At December 31, 2001, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

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	City Levy	Purchased Taxes Receivable	Total
	<i>(Thousands of Dollars)</i>		
1996 and prior	\$ 1,483	\$ 2,516	\$ 3,999
1997	334	557	891
1998	488	820	1,308
1999	987	1,728	2,715
2000	<u>4,483</u>	<u>8,283</u>	<u>12,766</u>
Total delinquent property taxes receivable	<u>\$ 7,775</u>	<u>\$ 13,904</u>	\$ 21,679
Property taxes receivable on foreclosed property			15,849
Less: Allowance for uncollectible taxes			<u>(12,076)</u>
Net delinquent property taxes receivable, including tax deeded property			<u>\$ 25,452</u>

4. DEFERRED REVENUE

Deferred revenue is recorded in the governmental funds for amounts not yet available and for resources received prior to being earned by the City. Related revenue is recognized when these amounts become available or when earned. The composition of the deferred revenue balances in the governmental funds is as follows:

	General	Special Revenue	Debt Service	Capital Projects	Total
	<i>(Thousands of Dollars)</i>				
Delinquent property taxes	\$ 9	\$	\$	\$	\$ 9
Unearned revenue	1,823	6,426			8,249
Long-term receivables		6,307	36,636	6,032	48,975
Unbilled special assessments				<u>8,978</u>	<u>8,978</u>
	<u>\$ 1,832</u>	<u>\$ 12,733</u>	<u>\$ 36,636</u>	<u>\$ 15,010</u>	<u>\$ 66,211</u>

5. DEBT

General obligation long-term debt, which includes \$23,882,000 designated for local improvement projects and special assessment use, consisted of 54 separate issues from 1990 through 2001 with applicable interest rates ranging between 3.40% to 10.00% as of December 31, 2001. Trust and Agency Fund bonds and notes payable consists of revenue anticipation notes maturing in 2002 with split interest rates of 2.7-3.5%. Changes in debt for 2001 were as follows:

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	Balance 01-01-01	New Issues	Repayments	Balance 12-31-01
	<i>(Thousands of Dollars)</i>			
General Obligation Bonds and Notes:				
City	\$ 430,689	\$ 114,349	\$ 78,201	\$ 466,837
Milwaukee Public Schools	91,814	23,590	15,812	99,592
Enterprise - City (including current maturities)	<u>82,737</u>	<u>10,441</u>	<u>16,224</u>	<u>76,954</u>
Total	\$ 605,240	\$ 148,380	\$ 110,237	\$ 643,383
Deferred gain /(loss)	<u>85</u>	<u>(228)</u>	<u>10</u>	<u>(153)</u>
Total General Obligation Debt	\$ 605,325	\$ 148,152	\$ 110,247	\$ 643,230
Sewer Maintenance				
Bond anticipation note	\$ 6,258	\$ -	\$ 6,258	\$ -
Revenue bonds	<u>-</u>	<u>29,095</u>	<u>-</u>	<u>29,095</u>
Total Sewer Maintenance	\$ 6,258	\$ 29,095	\$ 6,258	\$ 29,095
Water Works				
Revenue Bonds	<u>\$ 16,773</u>	<u>\$ -</u>	<u>\$ 744</u>	<u>\$ 16,029</u>
Trust and Agency Funds:				
Bonds and notes payable	<u>\$ 110,000</u>	<u>\$ 112,000</u>	<u>\$ 110,000</u>	<u>\$ 112,000</u>
Component Units Long-Term Debt (including current maturities):				
Bonds and notes - other	\$ 2,236	\$ 9,272	\$ 1,316	\$ 10,192
Revenue bonds - HACM	8,983		2,389	6,594
Revenue bonds - RACM	<u>4,299</u>	<u>1,468</u>		<u>5,767</u>
Total Component Units Long-Term Debt (including current maturities)	\$ 15,518	\$ 10,740	\$ 3,705	\$ 22,553
Total Debt	\$ 753,874	\$ 299,987	\$ 230,954	\$ 822,907

Certain prior year balances for the component units have been adjusted to correspond with the proper classification reflected in the Combined Balance Sheet.

Primary Government Long-Term Debt

General Obligation Bonds and Notes are secured by the full faith and unlimited taxing power of the City. The bonds and notes in the General Long-Term Obligations Account Group will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The bonds and notes in the Parking, Water Works, and Port of Milwaukee Enterprise Funds will be retired by revenues from these operations or, if the revenues are not sufficient, by future tax levies.

General long-term obligations do not include \$83,066,356 of City of Milwaukee Industrial Development Revenue Bonds issued in accordance with the Wisconsin Statutes. These obligations are primarily secured by revenue agreements on the associated projects and, together with the interest obligation, are payable solely by the developers, and do not constitute indebtedness of the City.

CITY OF MILWAUKEE
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Use of Public Debt Amortization Fund for retirement of the public debt is governed by the Wisconsin Statutes. The Statutes provide that when total principal and accrued interest in the Public Debt Amortization Fund is substantially equal to the outstanding general obligation bonds and notes, the resources in the fund shall be applied to make annual interest and principal payments on that debt to maturity. The Statutes provide, in part, that "The Public Debt Commission may, however, at any time, apply the fund, not to exceed in any one year 40 percent of the balance in said fund on the preceding December 31, to acquire for cancellation general obligation bonds or notes prior to their maturity dates at prices not to exceed principal plus accrued interest to date of maturity, but the fund shall not be decreased below \$2,000,000 as a result of such purchases and cancellations." Principal sources of revenue are one-third of all interest on general City investments and interest on Fund investments. As authorized by the Statutes, the Public Debt Amortization Fund may purchase for investment or for cancellation, notes issued by the General Fund to fund operations.

Through 2001, \$201,138,120 has been borrowed for thirty-eight tax incremental districts (TID). Total debt service requirements associated with this debt issues amount to \$316,922,539. Tax increments received through 2001 total \$201,515,073. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds to finance purchases of school sites and to construct or remodel school buildings. No such bonds are currently outstanding. The \$99,591,254 of Milwaukee Public School long-term debt outstanding at December 31, 2001 consists of a portion of the City's general obligation bonds and notes, which has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2001, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately \$626,500,000. These assets are excluded from the financial statements of the City.

During 2001, the City issued \$112,000,000 in short-term revenue anticipation notes on behalf of the Milwaukee Public Schools. These notes bear interest at the rates of 2.7%, 3.25% and 3.5% and will mature on August 29, 2002. The liability and related cash to repay the revenue anticipation notes are recorded in the Board of School Directors (agency) fund.

The Sewer Maintenance Fund Bond Anticipation Note was issued for the purpose of financing the cost of improvements to the City's sewerage system pending the issuance of sewerage system revenue bonds. Interest payments are based on the State of Wisconsin Local Government Investment Pool rate and are payable semiannually. The debt was paid upon maturity on December 15, 2001.

The Water Works Revenue Bonds were issued for the purpose of providing for the payment of the cost of constructing improvements to the Water System of the Municipality, pursuant to Article XI, Section 3, of the Wisconsin Constitution, Section 66.066 Wisconsin Statutes, and is payable only from the income and revenues derived from the operation of the Water System of the Municipality. This Bond issuance does not constitute an indebtedness of the City of Milwaukee within the meaning of any constitutional or statutory debt limitation or provision.

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The Statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. At December 31, 2001, the City's legal debt margin was \$760,522,000. Of this amount, \$389,077,000 was for school purposes and \$372,659,000 was for City purposes. The ratio of aggregate indebtedness of all taxing authorities located within the City's boundaries to the equalized value of the taxable property was approximately 5.7%, including 3.9% related to direct City indebtedness at December 31, 2001.

The maturities of the outstanding principal and related interest requirements are as follows:

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
(Thousands of Dollars)					
2002	\$ 78,509	\$ 31,640	\$ 763	\$ 1,770	\$ 112,682
2003	69,600	28,365	1,785	1,733	101,483
2004	62,517	25,071	1,840	1,676	91,104
2005	59,887	21,906	1,906	1,609	85,308
2006	52,630	18,788	1,983	1,532	74,933
Thereafter	<u>320,240</u>	<u>73,524</u>	<u>36,847</u>	<u>12,259</u>	<u>442,870</u>
Totals	<u>\$ 643,383</u>	<u>\$ 199,294</u>	<u>\$ 45,124</u>	<u>\$ 20,579</u>	<u>\$ 908,380</u>

CITY OF MILWAUKEE
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During 2001, the City defeased \$102,000,000 of Revenue Anticipation Notes which come due in the first half of 2002 by placing funds in an irrevocable trust with a financial institution. Accordingly, these obligations have been removed as liabilities of the General Fund.

In June 2001, the City issued two series of general obligation refunding bonds. The first, Series of 2001-A (tax-exempt) was in the par amount of \$26,035,000 and carried interest rates between 4 and 5% to advance refund \$24,980,000 of existing debt. The second issue, Series of 2001-B (taxable) was in the par amount of \$4,690,000 and carried interest rates between 4 and 5.625% to advance refund \$4,570,000 of existing taxable debt. Together, the net proceeds of these two issues (including original issuance premium, but exclusive of accrued interest, underwriter's discount and issuance expenses) totaled \$30,931,000. The net proceeds were utilized to purchase United States Government securities that were irrevocably placed in trust with an escrow agent for the purpose of paying all future debt service on the refunded City bonds. As a result, the refunded City bonds are considered to be defeased and the liability for those bonds has been removed from the General Long-Term Account Group. The City executed the two refundings solely for the purpose of reducing its total debt service payment over the remaining life of the refunded bonds. The present value savings of the two refunding issues totaled \$603,000 or 2.04% of the refunded bonds.

At December 31, 2001, a total of \$53,120,000 in outstanding general obligation bonds is considered defeased.

Component Units Long-Term Debt

The Housing Authority Bonds and Notes are secured by a lien on all revenues of the Housing Authority Low Income Housing Program. The Housing Authority Bonds and Notes are not a general obligation of the City, nor are they guaranteed by the City. As such, they are not backed by the general credit or taxing powers of the City.

Approximately \$3,845,000 of Redevelopment Authority bonds are payable from net revenues earned from certain veterans housing projects administered by the Housing Authority. Such revenues are pledged by the Housing Authority pursuant to a cooperation agreement entered into by the Redevelopment Authority and the Housing Authority. Under the terms of the agreement, only those revenues earned by the specified projects are pledged to repay the debt. The Redevelopment Authority bonds are not general obligations of the City, nor are they guaranteed by the City. As such, they are not backed by the general credit or taxing powers of the City.

The maturities of the outstanding principal and related interest requirements for the component units are as follows:

Year	Bonds and Notes Payable		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
(Thousands of Dollars)					
2002	\$ 1,772	\$ 28	\$ 900	\$ 274	\$ 2,974
2003	20	28	940	222	1,210
2004	22	28	1,510	179	1,739
2005	23	28	1,575	115	1,741
2006	25	27	570	45	667
Thereafter	<u>8,330</u>	<u>884</u>	<u>6,866</u>	<u>24</u>	<u>16,104</u>
Totals	\$ 10,192	\$ 1,023	\$ 12,361	\$ 859	\$ 24,435

6. RETIREMENT PLANS

Pension Benefits

Plan Description - The City makes contributions to the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined benefit pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 200 East Wells Street, Room 610, Milwaukee, WI 53202.

Funding Policy - Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 6%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. The City is required to contribute the actuarially determined amount. The City Charter assigns the authority to establish and amend contribution requirements. The City's contributions to the System for the years ending December 31, 2001, 2000, 1999, and 1998 were \$20,288,000,

CITY OF MILWAUKEE
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\$20,693,000, \$19,261,000, \$19,265,000, respectively, equal to the required contributions on behalf of the plan members for each year. (See Note 11)

Other Postemployment Benefits

The City provides medical insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts or by Common Council resolution. Retirees are eligible to enroll in any of the group plans offered by the City. Aside from the Basic Plan, this includes any of the Health Maintenance Organizations (HMO) plans currently offered to active employees.

The City provides full health insurance coverage to general City employees who retire at age 55, but less than age 65, with 30 years of creditable service or age 60, but less than age 65, with 15 years of creditable service until the age of 65. In accordance with a "percentage formula" as provided in labor agreements, the City provides between 65% and 100% of the cost of the Basic Plan coverage for firefighters and police officers who retire with 25 years of creditable service and having attained at least the age of 52 but less than 60. Upon reaching the age of 60 but prior to the age of 65, the City provides full health insurance coverage for firefighters with single enrollment status and police officers with single enrollment status. The City contribution for firefighters between the ages of 60 and 65 with family enrollment status is the greater of 100% of the cost of single enrollment in the Basic Plan or an amount determined using the "percentage formula." The "percentage formula" used to determine the City contribution in the labor agreements is based on the amount of unused sick leave at retirement.

After attaining the age of 65 and having completed a minimum of 15 years of creditable service, all retirees are eligible to enroll in a "subsidized plan" for medical insurance. Under this plan, the City contributes 25% of the base rate toward retirees enrolled in the Basic Plan, while the retiree pays 75% of the base rate and 100% of the major medical rate. For those retirees enrolled in an HMO, the City contributes a 25% subsidy of the applicable HMO premium.

Medical insurance for retirees is financed on a pay-as-you-go basis. Approximately 5,094 employees are eligible to receive these benefits. For 2001, the City paid approximately \$17,127,000 toward medical insurance for its retirees.

In addition to medical insurance, the City allows its employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees in accordance with Section 350-25 of the Code of Ordinances. The base amount of coverage for general City employees is equal to the employee's annual basic salary to the next higher thousand dollars. The base amount of coverage for firefighters and police officers is equal to one and one-half the employee's annual basic salary to the next higher thousand dollars.

General City employees retiring at age 55 or older with 20 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage at the level on the date prior to their date of retirement. Firefighters and police officers retiring at age 52 or older with 20 years of service or at age 57 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage up to their base amount of coverage on the date prior to their date of retirement. Prior to age 65, all retirees are required to pay the full premium rates as established by the insurance carrier, less an adjustment for estimated dividends. The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the City assuming all future premiums.

For 2001, the groups rate for life insurance for the City population as a whole was approximately fifty cents per month per \$1,000 of coverage after estimated dividends. The effect on this rate as a result of including retirees in the pool is not determinable. Group life insurance for retirees age 65 or older are financed on a pay-as-you-go basis and cannot be readily separated from amounts paid on behalf of active employees. The City estimates \$925,000 out of a total \$3,398,000 for group life insurance for 2001 is attributable to approximately 5,014 retirees on the basis of the common group life rate.

Terminal Leave Payments

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between \$45 and \$65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between \$21 and \$30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2001, approximately \$8,573,000 was paid for sick leave from all funds. At December 31, 2001, accumulated sick leave earned but not taken totaled approximately \$106,481,000 determined on the basis of current salary rates.

Terminal leave pay is funded on a pay-as-you-go basis and provided for in the salary budgets of the respective departments annually. In 2001 terminal leave payments totaled \$2,102,000 to employees retiring during the year. As of December 31, 2001, the City has accrued

CITY OF MILWAUKEE
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FOR THE YEAR ENDED DECEMBER 31, 2001

approximately \$19,230,000 in the General Long-Term Obligations Account Group for future terminal leave payments. This amount is included under the unfunded compensated absences of \$33,360,000, with the remainder accrued vacation leave of \$14,130,000.

7. SEGMENT INFORMATION FOR ENTERPRISE FUNDS AND COMPONENT UNITS

The City maintains six enterprise funds within its primary government as follows:

Metropolitan Sewerage District User Charge Fund (MSDUC)
Parking Fund
Port of Milwaukee (Port)
Sewer Maintenance
Solid Waste
Water Works Fund (Water)

Selected information for 2001 with respect to these enterprises was as follows:

	MSDUC	Parking	Port	Sewer Maintenance	Solid Waste	Water	Total
<i>(Thousands of Dollars)</i>							
Operating revenues	\$ 30,098	\$ 35,739	\$ 3,985	\$ 18,899	\$ 36,584	\$ 61,711	\$ 187,016
Depreciation		2,137	714	3,119		8,917	14,887
Other operating expense	29,822	18,240	2,147	14,093	34,662	41,824	140,788
Operating income (loss)	276	15,362	1,124	1,687	1,922	10,970	31,341
Other nonoperating revenues (expenses)		(1,391)	(1,118)	(100)		(1,829)	(4,438)
Operating transfers in		1,381	158			7,479	9,018
Operating transfers out		(20,422)	(1,657)		(57)	(7,377)	(29,513)
Capital contributions		3,593					3,593
Net income (loss)	276	(1,477)	(1,493)	1,587	1,865	9,243	10,001
Property, Plant and Equipment:							
Additions		2,592		190,255		8,217	201,064
Disposals			30				30
Total assets	9,314	54,793	20,509	229,542		387,198	701,356
Working capital	1,408	2,652	15	(3,436)		23,480	24,119
General long-term debt:							
General obligation		25,473	3,543			48,548	77,564
Revenue bonds				29,095		15,266	44,361
Fund equity	1,408	27,943	16,440	185,662		316,772	548,225

The discretely presented component units include five enterprise funds as follows:

Pabst Theater (Pabst)
Milwaukee Economic Development Corporation (MEDC)
Housing Authority (HACM)
Redevelopment Authority (RACM)
Neighborhood Improvement Development Corporation (NIDC)

Component unit disclosures for the 2001 Balance Sheets are as follows:

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	Pabst	MEDC	HACM	RACM	NIDC	Total
	<i>(Thousands of Dollars)</i>					
Assets:						
Due from primary government	\$	\$	\$	\$	\$ 973	\$ 973
Other current assets	174	50,389	38,373	49,516	16,052	154,504
Property, plant and equipment (net)	9,834	24	220,718	6,757	54	237,387
Other long-term assets	388	117	8,165	7,421	261	16,352
Total assets	\$ 10,396	\$ 50,530	\$ 267,256	\$ 63,694	\$ 17,340	\$ 409,216
Liabilities:						
Current liabilities	\$ 889	\$ 118	\$ 14,422	\$ 16,587	\$ 4,000	\$ 36,016
Bonds and notes payable - long term			15,014	4,867		19,881
Due to the primary government		1,416	1,005	17,611	2,362	22,394
Other long-term liabilities	93	523	13,414	2,390	380	16,800
Total liabilities	\$ 982	\$ 2,057	\$ 43,855	\$ 41,455	\$ 6,742	\$ 95,091
Equity:						
Contributed capital	\$ 9,946	\$ 5,453	\$ 248,398	\$ 12,304	\$ 13,415	\$ 289,516
Retained earnings (deficit)	(532)	43,020	(24,997)	9,935	(2,817)	24,609
Total equity	\$ 9,414	\$ 48,473	\$ 223,401	\$ 22,239	\$ 10,598	\$ 314,125
Total liabilities and equity	\$ 10,396	\$ 50,530	\$ 267,256	\$ 63,694	\$ 17,340	\$ 409,216

Component unit disclosures for the 2001 Statement of Revenues, Expenses, and Changes in Equity are as follows:

	Pabst	MEDC	HACM	RACM	NIDC	Total
	<i>(Thousands of Dollars)</i>					
Operating revenues	\$ 499	\$ 2,291	\$ 16,582	\$ 3,196	\$ (411)	\$ 22,157
Operating expenses:						
Depreciation	202	11	15,240	88	14	15,555
Other	754	640	49,380	3,042	7,159	60,975
Operating income (loss)	(457)	1,640	(48,038)	66	(7,584)	(54,373)
Other nonoperating revenue (expense)	88	(97)	51,781	6,343	6,030	64,145
Operating transfers	150					150
Capital contributions	2,641		400			3,041
Net income (loss) for the year	2,422	1,543	4,143	6,409	(1,554)	12,963
Retained earnings (deficit) - beginning						
(restated)	(2,954)	41,477	(29,140)	3,526	(1,263)	11,646
Retained earnings (deficit) - ending	\$ (532)	\$ 43,020	\$ (24,997)	\$ 9,935	\$ (2,817)	\$ 24,609

The retained earnings balance for the Neighborhood Improvement Development Corporation of the City of Milwaukee has been adjusted as of January 1, 2001 to reflect an increase of \$86,000 due to miscellaneous adjustments recorded to the 2000 component unit financial statements subsequent to the issuance of the City's December 31, 2000 Comprehensive Annual Financial Report.

8. FUND EQUITY

Reserved for tax stabilization

The Reserved for Tax Stabilization, \$40,122,000 at December 31, 2001, is governed by the City's Code of Ordinances. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the Reserved for Tax Stabilization in any one year is an amount that prevents an increase of more than three percent in the

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City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budget, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council.

Fund deficit

The Capital Projects Fund - Special Assessments fund deficit of \$12,385,000 is the result of expending funds for construction in advance of collecting assessments from the property owners. Upon project completion, the properties are assessed, thus reducing this deficit.

Retained deficit

Current and prior years' losses in the following proprietary funds have resulted in cumulative retained deficits with a fund equity (deficit), net of retained deficits, as indicated below. The City provides needed capital to the Enterprise Fund - Port of Milwaukee and Pabst Theater component unit.

	Net Income (Loss)	Retained Deficit	Fund Equity
	<i>(Thousands of Dollars)</i>		
Enterprise Fund - Port of Milwaukee	\$ (1,493)	\$ (12,703)	\$ 16,440
Pabst Theater Component Unit	2,422	(532)	9,414
Housing Authority of the City of Milwaukee Component Unit	4,143	(24,997)	223,401
Neighborhood Improvement Development Corporation Component Unit	(1,554)	(2,817)	10,598

Contributed capital

The changes in the City's contributed capital accounts for its proprietary funds and component units were as follows:

	Enterprise Funds	Component Units	Total
	<i>(Thousands of Dollars)</i>		
Beginning balance	\$ 123,743	\$ 289,516	\$ 413,259
Additions	<u>179,871</u>	<u>-</u>	<u>179,871</u>
Ending balance	<u>\$ 303,614</u>	<u>\$ 289,516</u>	<u>\$ 593,130</u>

During 2001, the City contributed \$179,871,000 (net book value) of infrastructure assets to the Sewer Maintenance Fund. The above was determined through an independent third party study.

9. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2001, and the net contributions, residual and operating transfers for 2001 were as follows:

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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Fund	Interfund Receivables	Interfund Payables	Net Contributions	Net Residual Transfers	Net Operating Transfers
(Thousands of Dollars)					
General Fund	\$ 23,988	\$	\$	\$ 1,908	\$ 24,111
Special Revenue Funds:					
Grant and Aid Projects		(7,570)		(56)	
Community Development Block Grant		(973)			
Delinquent Tax					(13,045)
Debt Service:					
General Obligation Debt		(1,194)		(419)	12,058
Capital Projects Funds		(617)		(3,484)	(2,883)
Enterprise Funds:					
Metropolitan Sewerage District User Charge ...	355				
Parking			3,594		(19,041)
Port of Milwaukee		(264)	309		(1,499)
Sewer Maintenance	209	(12,051)			
Solid Waste				(1,865)	(57)
Water Works		(1,883)			102
Trust and Agency Funds				13	104
Component Units:					
Pabst Theater					150
Totals	<u>\$ 24,552</u>	<u>\$ (24,552)</u>	<u>\$ 3,903</u>	<u>\$ (3,903)</u>	<u>\$ -</u>

10. GENERAL FIXED ASSETS

Changes in General Fixed Assets for the year ended December 31, 2001, were as follows:

	Balance 01-01-01	Additions	Deletions	Balance 12-31-01
(Thousands of Dollars)				
Land	\$ 39,694	\$	\$	\$ 39,694
Buildings	132,870			132,870
Machinery and equipment	93,534	5,212	1,393	97,353
Construction work in progress	63,088	21,306	1,455	82,939
Totals	<u>\$ 329,186</u>	<u>\$ 26,518</u>	<u>\$ 2,848</u>	<u>\$ 352,856</u>

11. COMMITMENTS AND CONTINGENCIES

Claims and other legal proceedings

The City is involved in numerous lawsuits arising in the normal course of business, including claims for property damage, personal injury and personnel practices, disputes over contract awards and property condemnation proceedings, and suits contesting the legality of certain taxes. Under the Wisconsin Statutes, the amount recoverable by any person for any damages, injuries or death in any action founded on fact against the City, agencies, officials, officers or employees cannot exceed \$50,000, with certain exceptions. In addition, the City is subject to environmental remediation liabilities. The amount of such liabilities is not known. In the opinion of management, any additional lawsuits not provided for in the General Long-Term Obligations Account Group and environmental remediation liabilities will not have a material adverse effect on the City's financial position as of December 31, 2001.

CITY OF MILWAUKEE
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FOR THE YEAR ENDED DECEMBER 31, 2001

The City is self-insured for workers' compensation, employee Basic Plan health and dental insurance, uninsured motorist motor vehicle coverage for City employees, and general liability claims. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other economic and social factors. Claims are paid in the General Fund and are recorded as expenditures when paid. Expenditures recorded in the General Fund in 2001 were \$72,845,000 (\$57,906,000 of incurred claims less \$14,939,000 recorded as long-term obligations).

At December 31, 2001, the amount of unfunded claims and judgment liabilities is \$36,945,000 and is included in unfunded claims and judgments in the General Long-Term Obligations Account Group and consists of: legal \$23,025,000, environmental \$2,730,000, unemployment \$804,000, workers' compensation \$3,851,000 and health insurance \$6,535,000. Changes in the balance of claims liabilities during 2001 consist of a reduction in legal reserves due to the Global Pension Settlement and a change in estimation of the City's reserve for health insurance. These changes are detailed as follows:

(Thousands of Dollars)

Balance December 31, 1998	\$ 58,661
Claims and changes in estimates	31,825
Claim payments	<u>(46,966)</u>
Balance December 31, 1999	\$ 43,520
Claims and changes in estimates	14,939
Claim payments	<u>(21,514)</u>
Balance December 31, 2000	<u>\$ 36,945</u>

The Milwaukee Police Association filed suit against the City and the Milwaukee Employees' Retirement System as a result of a City Ordinance passed in 1995 that merged the Retirement Fund with the Duty Disability Fund. Actuarial reports indicated that if the separate funds were merged, there were sufficient assets within the Employees' Retirement System to fund all retirement and disability liabilities without currently requiring additional contributions. In 1996, the Circuit Court granted summary judgment to the plaintiff declaring the merger to be unconstitutional. The court stayed enforcement of its order, insofar as any additional contribution of the City was concerned, to give the City the opportunity to appeal. In 1998, the Court of Appeals modified the Circuit Court's judgment; and the City's petition to the Wisconsin Supreme Court to accept a discretionary appeal of the Court of Appeals' decision was denied. As a result, the City was required to make contributions to fund an unfunded liability in the Duty Disability Fund.

The City has been notified of an Equal Employment Opportunity Commission (EEOC) investigation conducted of the Fire and Police Commission and the Milwaukee Police Department. The investigation resulted in a finding of probable cause of discrimination based on race, in the areas of hiring, discipline, retaliation and terms and conditions of employment. The EEOC sought \$5,000,000 in total remedies for the class claims and approximately \$2,000,000 to the individual hiring charging parties. Additionally, the EEOC requested remedies for the individual charging parties totaling approximately \$2,500,000 and an additional \$1,000,000 in compensation to the class members.

The EEOC referred the matter to the United States Department of Justice who conducted a further investigation and stated by letter dated January 2, 2001 that suit has been authorized against the City of Milwaukee and the Fire and Police Commission on the basis of the information provided by the EEOC and upon the further information obtained from the investigation performed by the Department of Justice. The City has begun, and will continue to communicate with the Department of Justice in an effort to explore possible settlement, however it is presently unknown whether settlement can or will be effectuated. The Department of Justice has requested \$6,150,000 in compensatory damages for a class of victims.

The City has also been notified of a second EEOC investigation conducted of the hiring and employment practices for the Milwaukee Fire Department based upon charges filed by the Brotherhood of Firefighters which allege discrimination on the basis of race with respect to hiring, promotion, terms and conditions of employment and discipline. On December 10, 1999 the EEOC issued a Reasonable Cause Determination filing in respect to this investigation, resulting in a demand from the EEOC for a class-wide back-pay claims of \$12,700,000 with respect to the alleged victims. As of December 31, 2001, the City has recorded a reserve in the General Long-Term Obligations Account Group related to the above two cases.

Environmental Liabilities

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Two of the seven landfills have been closed. Of the remaining four landfills that are no longer accepting waste, the Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The Hartung landfill, which is used exclusively for clean fill, is expected to be closed within three years. The City has accrued \$2,730,000 in the General Long-Term Obligations Account Group for landfill closure related to the four sites. These amounts are based upon what it would cost to perform all closure activities in 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

CITY OF MILWAUKEE
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GASB Statement No. 18 "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs" establishes requirements for disclosure of closure and postclosure requirements for all municipal solid waste landfills receiving solid waste after October 9, 1991. The City's landfills have not accepted waste of this type since 1976 and is therefore not required to accrue for closure and postclosure care in accordance with GASB Statement No. 18.

Intergovernmental grants

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at December 31, 2001.

Conduit Debt Obligations

From time to time, the City, as well as the Housing Authority and the Redevelopment Authority, has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, is payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2001 is \$83,066,356, \$56,491,000, and \$256,000,000 for the City, Housing Authority, and Redevelopment Authority, respectively.

Job Opportunity Bond Program

The Redevelopment Authority of the City of Milwaukee has issued certain Economic Development Bonds under the Job Opportunity Bond Program. Additional bonds may also be issued under this Program. These bonds are payable from a revenue fund to which the Authority has pledged and appropriated revenues to be received by the Authority from revenue agreements. In the event of an insufficiency of such revenues, these bonds are payable out of a program reserve fund and a common reserve fund maintained with respect to the program. In the event amounts available in these reserve funds fall below specified levels, the City has agreed, pursuant to the terms of the first amendment to the cooperation and pledge agreement, to consider making loans to the Authority to assist the Authority in maintaining the reserve funds at required levels. To date, the City has not loaned any funds for this purpose. This obligation is not enforceable by the Authority, the Trustee or the owners of the bonds against the City or the Common Council of the City or against any individual of the Council of the City or any officer or agent of the City.

12. SUBSEQUENT EVENTS

In March of 2002, the City issued \$32,220,000 in general obligation corporate purpose bonds for various public improvement projects of the City, \$16,025,000 of general obligation short-term promissory notes for the purpose of financing year 2001 real and personal property tax receivables and improvements to public buildings, and \$102,000,000 of Revenue Anticipation Notes for the purpose of financing the City's operating budget on an interim basis pending receipt of state shared revenue payments due in November, 2002.

In April 2002, the Common Council of the City of Milwaukee approved an agreement to transfer the City's interest in the Captain Frederick Pabst Theater to The Cudahy Foundation, a tax exempt Wisconsin Charitable Trust.

13. RESTATEMENT

The beginning retained earnings balance of the enterprise funds for 2001 has been restated by \$7,538,000 to capitalize fixed asset acquisitions that were improperly expensed in 2000 in the Sewer Maintenance (enterprise) fund. The net effect of this change was to increase construction in process and retained earnings at January 1, 2001 in the enterprise funds from \$9,827,000 to \$17,365,000 and \$228,937,000 to \$236,475,000, respectively.

Additionally, the prior year (2000) summarized totals for the combined balance sheet, combined statement of revenues, expenses and changes in retained earnings, and the combined statement of cash flows have also been restated to increase capital assets and retained earnings at December 31, 2000, and reduce operating expenses for the year then ended by \$7,538,000.

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CITY OF MILWAUKEE
GENERAL FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2001 AND 2000
(Thousands of Dollars)

Exhibit A

	2001	2000
ASSETS		
Cash and cash equivalents	\$ 29,769	\$ 9,240
Receivables (net):		
Taxes	21,091	23,152
Accounts	19,014	18,918
Unbilled accounts	1,835	989
Notes and loans	670	768
Accrued interest	604	961
Due from other funds	23,988	11,917
Due from component units	3,395	4,892
Due from other governmental agencies	981	1,383
Other receivables	12,222	12,694
Inventory of materials and supplies	5,652	5,988
Inventory of property for resale	26	26
Prepaid items	1,019	366
Restricted Assets:		
Investments	281	281
Total Assets	\$ 120,547	\$ 91,575
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 21,716	\$ 23,180
Accrued wages	28,155	27,277
Due to other funds		253
Deferred revenue	1,832	1,971
Total Liabilities	\$ 51,703	\$ 52,681
Fund Balance:		
Reserved for encumbrances, prepaids, and carryovers	\$ 22,460	\$ 8,886
Reserved for inventory	5,678	6,014
Reserved for mortgage trust	281	281
Reserved for environmental remediation	303	304
Reserved for tax stabilization - 2002 (2001)	11,000	5,500
Reserved for tax stabilization - 2003 (2002) and subsequent years' budgets	29,122	17,909
Total Fund Balance	\$ 68,844	\$ 38,894
Total Liabilities and Fund Balance	\$ 120,547	\$ 91,575

CITY OF MILWAUKEE
GENERAL FUND

Exhibit B

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2001
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2000
(Thousands of Dollars)

	2001	2000
Revenues:		
Property taxes	\$ 118,804	\$ 98,456
Other taxes	12,688	12,808
Licenses and permits	10,485	10,154
Intergovernmental	278,969	278,434
Charges for services	54,594	45,383
Fines and forfeits	4,408	18,036
Other	<u>12,408</u>	<u>14,358</u>
 Total Revenues	 <u>\$ 492,356</u>	 <u>\$ 477,629</u>
Expenditures:		
Current:		
General government	\$ 162,628	\$ 157,615
Public safety	209,521	220,879
Public works	87,453	100,696
Health	11,237	11,363
Culture and recreation	16,948	17,584
Conservation and development	<u>7,922</u>	<u>7,502</u>
 Total Expenditures	 <u>\$ 495,709</u>	 <u>\$ 515,639</u>
 Excess of Revenues over (under) Expenditures	 <u>\$ (3,353)</u>	 <u>\$ (38,010)</u>
Other Financing Sources (Uses):		
Proceeds of bonds and notes	\$ 7,071	\$ 1,312
Operating transfers in	24,365	11,213
Operating transfers out	(104)	(338)
Operating transfers to component units	(150)	(150)
Contributions received	675	536
Contributions used	<u>(462)</u>	<u>(685)</u>
 Total Other Financing Sources (Uses)	 <u>\$ 31,395</u>	 <u>\$ 11,888</u>
 Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	 <u>\$ 28,042</u>	 <u>\$ (26,122)</u>
 Fund Balance - January 1	 38,894	 65,023
 Residual Equity Transfers from Other Funds	 1,921	 2
Residual Equity Transfers to Other Funds	<u>(13)</u>	<u>(9)</u>
 Fund Balance - December 31	 <u>\$ 68,844</u>	 <u>\$ 38,894</u>

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2001
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2000
(Thousands of Dollars)

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)	2000 Actual on Budgetary Basis
Revenues:				
Property taxes	\$ 118,804	\$ 118,804	\$ -	\$ 98,456
Other taxes	12,113	12,688	575	12,808
Licenses and permits	8,817	10,485	1,668	10,154
Intergovernmental	278,732	278,969	237	278,434
Charges for services	55,401	54,594	(807)	45,383
Fines and forfeits	5,510	4,408	(1,102)	18,036
Other	13,085	12,408	(677)	14,358
Total Revenues	\$ 492,462	\$ 492,356	\$ (106)	\$ 477,629
Expenditures:				
Current:				
General government	\$ 171,803	\$ 162,628	\$ 9,175	\$ 157,615
Public safety	210,274	209,521	753	220,879
Public works	87,574	87,453	121	100,696
Health	11,370	11,237	133	11,363
Culture and recreation	17,351	16,948	403	17,584
Conservation and development	8,688	7,922	766	7,502
Total Expenditures	\$ 507,060	\$ 495,709	\$ 11,351	\$ 515,639
Excess of Revenues over (under) Expenditures	\$ (14,598)	\$ (3,353)	\$ 11,245	\$ (38,010)
Other Financing Sources (Uses):				
Proceeds of bonds and notes	\$ -	\$ -	\$ -	\$ 8,071
Operating transfers in	22,708	24,365	1,657	11,213
Operating transfers out	(104)	(104)	-	(338)
Operating transfers to component units	(150)	(150)	-	(150)
Contributions received	675	675	-	536
Contributions used	(463)	(462)	1	(685)
Use of fund balance - reserved for tax stabilization	5,500	5,500	-	11,250
Total Other Financing Sources (Uses)	\$ 28,166	\$ 29,824	\$ 1,658	\$ 29,897
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ 13,568	\$ 26,471	\$ 12,903	\$ (8,113)
Fund Balance - January 1 (Excludes Reserved for Tax Stabilization)	40,465	40,465	-	55,085
Residual Equity Transfers from Other Funds	10	1,921	1,911	2
Residual Equity Transfers to Other Funds	-	(13)	(13)	(9)
Fund Balance - December 31	\$ 54,043	\$ 68,844	\$ 14,801	\$ 46,965

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2001
(Thousands of Dollars)

Exhibit D

	Amended Budget	Actual	Variance - Favorable (Unfavorable)
Property Taxes:			
General	\$ 82,861	\$ 82,861	\$ -
Provision for Employees' Retirement	35,943	35,943	-
Total Property Taxes	<u>\$ 118,804</u>	<u>\$ 118,804</u>	<u>\$ -</u>
Other Taxes:			
Payment in lieu of taxes	\$ 11,004	\$ 11,263	\$ 259
Interest on city tax certificates and other taxes	1,109	1,425	316
Total Other Taxes	<u>\$ 12,113</u>	<u>\$ 12,688</u>	<u>\$ 575</u>
Licenses and Permits:			
Licenses:			
Business and occupational	\$ 2,917	\$ 3,539	\$ 622
Other	28	31	3
Permits:			
Building	4,974	5,873	899
Zoning	184	225	41
Other	714	817	103
Total Licenses and Permits	<u>\$ 8,817</u>	<u>\$ 10,485</u>	<u>\$ 1,668</u>
Intergovernmental:			
State Shares Revenues:			
State shared taxes	\$ 243,550	\$ 243,680	\$ 130
Local street aids	27,700	27,706	6
Payment for municipal services	1,800	2,007	207
Other	5,682	5,576	(106)
Total Intergovernmental	<u>\$ 278,732</u>	<u>\$ 278,969</u>	<u>\$ 237</u>
Charges for Services:			
General government	\$ 38,860	\$ 35,155	\$(3,705)
Public safety	5,812	7,245	1,433
Public works	7,093	8,688	1,595
Health	955	717	(238)
Culture and recreation	2,125	2,295	170
Conservation and development	556	494	(62)
Total Charges for Services	<u>\$ 55,401</u>	<u>\$ 54,594</u>	<u>\$ (807)</u>
Fines and Forfeits:			
Municipal Court	\$ 5,510	\$ 4,408	\$(1,102)
Other:			
Interest on temporary investments	\$ 6,300	\$ 4,802	\$(1,498)
Miscellaneous	6,785	7,606	821
Total Other	<u>\$ 13,085</u>	<u>\$ 12,408</u>	<u>\$ (677)</u>
Total	<u>\$ 492,462</u>	<u>\$ 492,356</u>	<u>\$ (106)</u>

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2001
(Thousands of Dollars)

Exhibit E

		2001 Actual				
	Amended Budget	Salaries and Wages	Other Operating Costs	Equipment	Total	Variance - Favorable (Unfavorable)
General Government:						
Deferred Compensation	\$ 987	\$ 119	\$ 612	\$ 2	\$ 733	\$ 254
Zoning Appeals	226	174	41		215	11
Intern Program	52	52			52	
Mayor	930	821	49	9	879	51
Common Council - City Clerk	6,793	4,798	1,332	216	6,346	447
Municipal Court	3,007	1,690	1,206	2	2,898	109
City Attorney	9,011	4,428	3,869	193	8,490	521
Administration	8,348	4,623	3,455	85	8,163	185
Employee Relations	76,339	3,110	72,904	13	76,027	312
Election Commission	889	414	401		815	74
Comptroller	27,885	2,600	25,038	46	27,684	201
City Treasurer	3,752	1,435	2,019	9	3,463	289
Assessor's Office	3,498	3,130	352		3,482	16
Public Debt Commission	523	106	359		465	58
Employee Retirement Administration ..	20,976	1,582	13,643	81	15,306	5,670
Interest Expense	7,610		7,610		7,610	-
Contingent Funds - Unallocated	588					588
Convention & Travel - Unallocated	32					32
Expert Witness - Unallocated	357					357
Total General Government	\$ 171,803	\$ 29,082	\$ 132,890	\$ 656	\$ 162,628	\$ 9,175
Public Safety:						
Fire and Police Commission	\$ 845	\$ 635	\$ 190	\$ 4	\$ 829	\$ 16
Fire Department	64,646	57,722	3,401	3,166	64,289	357
Police Department	132,439	120,957	9,783	1,467	132,207	232
Neighborhood Services	12,344	7,220	4,945	31	12,196	148
Total Public Safety	\$ 210,274	\$ 186,534	\$ 18,319	\$ 4,668	\$ 209,521	\$ 753
Public Works:						
General Office	\$ 3,533	\$ 2,700	\$ 755	\$ 71	\$ 3,526	\$ 7
Infrastructure	18,853	12,268	6,476	100	18,844	9
Support Services	29,704	16,625	10,805	2,170	29,600	104
Sanitation	27,145		27,145		27,145	-
Forestry	8,339	7,350	834	154	8,338	1
Total Public Works	\$ 87,574	\$ 38,943	\$ 46,015	\$ 2,495	\$ 87,453	\$ 121
Health	\$ 11,370	\$ 9,079	\$ 2,147	\$ 11	\$ 11,237	\$ 133
Culture and Recreation:						
Public Library	\$ 17,351	\$ 11,689	\$ 3,021	\$ 2,238	\$ 16,948	\$ 403
Conservation and Development:						
Department of City Development	\$ 8,688	\$ 2,934	\$ 4,988	\$ -	\$ 7,922	\$ 766
Total	\$ 507,060	\$ 278,261	\$ 207,380	\$ 10,068	\$ 495,709	\$ 11,351

CITY OF MILWAUKEE
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2001
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2000
(Thousands of Dollars)

Exhibit F

	General Obligation Debt	Public Debt Amortization	2001	Totals 2000
ASSETS				
Cash and cash equivalents	\$ 43,270	\$ 7,163	\$ 50,433	\$ 34,531
Investments		65,519	65,519	67,985
Receivables (net):				
Accounts			-	3,202
Notes and loans	17,637		17,637	18,866
Accrued interest	61	167	228	178
Due from other funds			-	387
Due from component units	18,999		18,999	12,354
Total Assets	\$ 79,967	\$ 72,849	\$ 152,816	\$ 137,503
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 1,194	\$	\$ 1,194	\$ 1,840
Deferred revenue	36,636		36,636	31,220
Total Liabilities	\$ 37,830	\$ -	\$ 37,830	\$ 33,060
Fund Balances:				
Reserved for debt service - 2002 (2001)	\$ 42,137	\$	\$ 42,137	\$ 30,436
Reserved for future retirement of general obligation debt		72,849	72,849	74,007
Total Fund Balances	\$ 42,137	\$ 72,849	\$ 114,986	\$ 104,443
Total Liabilities and Fund Balances	\$ 79,967	\$ 72,849	\$ 152,816	\$ 137,503

CITY OF MILWAUKEE
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2001
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2000
(Thousands of Dollars)

Exhibit G

	General Obligation Debt	Public Debt Amortization	2001	Totals 2000
Revenues:				
Property Taxes:				
General property taxes	\$ 59,491	\$	\$ 59,491	\$ 48,973
Tax increments	10,200		10,200	8,702
Total Property Taxes	\$ 69,691	\$ -	\$ 69,691	\$ 57,675
Other Taxes:				
Interest on delinquent taxes	\$	\$ 1,358	\$ 1,358	\$ 1,051
Other:				
Interest on fund investments	\$ 2,084	\$ 5,106	\$ 7,190	\$ 11,382
Interest on general investments		2,352	2,352	4,128
Interest on special assessments		332	332	347
Premium and accrued interest on bonds and notes sold	7,059		7,059	6,306
Capitalized interest	2,750		2,750	442
Revenue from other agencies	6,659		6,659	8,559
Total Other	\$ 18,552	\$ 7,790	\$ 26,342	\$ 31,164
Total Revenues	\$ 88,243	\$ 9,148	\$ 97,391	\$ 89,890
Expenditures:				
General Government:				
Public Debt Commission.....	\$	\$ 2	\$ 2	\$
Debt Service:				
Principal retirement	63,254	8,650	71,904	70,143
Interest	24,927	1,654	26,581	23,733
Total Expenditures	\$ 88,181	\$ 10,306	\$ 98,487	\$ 93,876
Excess of Revenues over (under) Expenditures	\$ 62	\$ (1,158)	\$ (1,096)	\$ (3,986)
Other Financing Sources (Uses):				
Proceeds of bonds and notes	\$ 23,216	\$	\$ 23,216	\$
Payment to refunded bond escrow agent	(23,216)		(23,216)	
Operating transfers in	28,686		28,686	26,584
Operating transfers out	(16,628)		(16,628)	(20,387)
Total Other Financing Sources (Uses)	\$ 12,058	\$ -	\$ 12,058	\$ 6,197
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ 12,120	\$ (1,158)	\$ 10,962	\$ 2,211
Fund Balances - January 1	30,436	74,007	104,443	105,170
Residual Equity Transfers from Other Funds	3,484		3,484	462
Residual Equity Transfers to Other Funds	(3,903)		(3,903)	(3,400)
Fund Balances - December 31	\$ 42,137	\$ 72,849	\$ 114,986	\$ 104,443

CITY OF MILWAUKEE
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2001
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2000
(Thousands of Dollars)

Exhibit H

	Bridges	Buildings and Grounds	Sewers
ASSETS			
Cash and cash equivalents	\$ 3,664	\$ 15,520	\$ 385
Receivables (net):			
Accounts			1,430
Special assessments			
Due from other governmental agencies	3,001		445
Inventory of materials and supplies			203
Prepaid items			
Total Assets	\$ 6,665	\$ 15,520	\$ 2,463
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1	\$ 8,108	\$ 1,057
Accrued wages	10	49	14
Due to other funds			
Due to other governmental agencies	709		331
Deferred revenue	1,274		386
Other payables			
Total Liabilities	\$ 1,994	\$ 8,157	\$ 1,788
Fund Balances:			
Reserved for encumbrances, prepaids and carryovers	\$ 4,671	\$ 7,363	\$ 472
Reserved for inventory			203
Unreserved:			
Special assessment (deficit)			
Total Fund Balances (Deficit)	\$ 4,671	\$ 7,363	\$ 675
Total Liabilities and Fund Balance	\$ 6,665	\$ 15,520	\$ 2,463

Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Totals	
				2001	2000
\$ 3,128	\$	\$ 5,192	\$	\$ 27,889	\$ 41,912
	856			2,286	1,647
			13,610	13,610	13,233
342	6,663			10,451	7,155
				203	199
				-	1
<u>\$ 3,470</u>	<u>\$ 7,519</u>	<u>\$ 5,192</u>	<u>\$ 13,610</u>	<u>\$ 54,439</u>	<u>\$ 64,147</u>
\$ 268	\$ 583	\$ 252	\$ 137	\$ 10,406	\$ 12,739
1	331	19		424	220
	617			617	-
	4,044		1,200	6,284	2,553
25	889		12,436	15,010	13,209
			<u>12,222</u>	<u>12,222</u>	<u>12,694</u>
<u>\$ 294</u>	<u>\$ 6,464</u>	<u>\$ 271</u>	<u>\$ 25,995</u>	<u>\$ 44,963</u>	<u>\$ 41,415</u>
\$ 3,176	\$ 1,055	\$ 4,921	\$	\$ 21,658	\$ 34,278
				203	199
			(12,385)	(12,385)	(11,745)
<u>\$ 3,176</u>	<u>\$ 1,055</u>	<u>\$ 4,921</u>	<u>\$ (12,385)</u>	<u>\$ 9,476</u>	<u>\$ 22,732</u>
<u>\$ 3,470</u>	<u>\$ 7,519</u>	<u>\$ 5,192</u>	<u>\$ 13,610</u>	<u>\$ 54,439</u>	<u>\$ 64,147</u>

CITY OF MILWAUKEE
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2001
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2000
(Thousands of Dollars)

Exhibit I

	Bridges	Buildings and Grounds	Sewers
Revenues:			
Property taxes	\$	\$ 1,824	\$
Special assessments			
Intergovernmental	537		336
Other		3	1,529
Total Revenues	\$ 537	\$ 1,827	\$ 1,865
Expenditures:			
Capital outlay	1,601	37,348	11,420
Excess of Revenues over (under) Expenditures	<u>\$ (1,064)</u>	<u>\$ (35,521)</u>	<u>\$ (9,555)</u>
Other Financing Sources (Uses):			
Proceeds of bonds and notes	\$ 2,873	\$ 27,350	\$ 3,545
Operating transfers out			
Total Other Financing Sources (Uses)	<u>\$ 2,873</u>	<u>\$ 27,350</u>	<u>\$ 3,545</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ 1,809	\$ (8,171)	\$ (6,010)
Fund Balances (Deficits) - January 1	2,862	15,534	6,685
Residual Equity Transfers to Other Funds			
Fund Balances (Deficits) - December 31	<u>\$ 4,671</u>	<u>\$ 7,363</u>	<u>\$ 675</u>

Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Totals	
				2001	2000
\$ 150	\$ 187	\$	\$	\$ 2,161	\$ 2,587
			3,807	3,807	3,930
25	7,606			8,504	8,319
<u>32</u>	<u>1,216</u>	<u>3,485</u>	<u></u>	<u>6,265</u>	<u>1,947</u>
\$ 207	\$ 9,009	\$ 3,485	\$ 3,807	\$ 20,737	\$ 16,783
<u>2,498</u>	<u>26,617</u>	<u>20,548</u>	<u>4,447</u>	<u>104,479</u>	<u>77,629</u>
\$ (2,291)	\$ (17,608)	\$ (17,063)	\$ (640)	\$ (83,742)	\$ (60,846)
\$ 1,749	\$ 13,593	\$ 24,860	\$ 2,883	\$ 76,853	\$ 78,940
<u></u>	<u></u>	<u></u>	<u>(2,883)</u>	<u>(2,883)</u>	<u>(1,885)</u>
\$ 1,749	\$ 13,593	\$ 24,860	\$ -	\$ 73,970	\$ 77,055
\$ (542)	\$ (4,015)	\$ 7,797	\$ (640)	\$ (9,772)	\$ 16,209
3,718	5,070	608	(11,745)	22,732	6,985
<u></u>	<u></u>	<u>(3,484)</u>	<u></u>	<u>(3,484)</u>	<u>(462)</u>
\$ 3,176	\$ 1,055	\$ 4,921	\$ (12,385)	\$ 9,476	\$ 22,732

CITY OF MILWAUKEE
GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP
STATEMENT OF GENERAL LONG-TERM OBLIGATIONS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Thousands of Dollars)

Exhibit J

	Balance 01-01-01	Obligations Incurred	Obligations Retired	Debt Service Funds Operations	Balance 12-31-01
RESOURCES AVAILABLE AND TO BE PROVIDED FOR THE PAYMENT OF GENERAL LONG-TERM OBLIGATIONS					
Resources available in Debt Service Funds	\$ 117,488	\$	\$	\$ 11,386	\$ 128,874
Resources to be Provided for:					
Retirement of general obligation debt	405,015	137,939	94,013	(11,386)	437,555
Unfunded compensated absences	30,534	5,306	2,480		33,360
Unfunded claims and judgments	<u>43,520</u>	<u>14,939</u>	<u>21,514</u>		<u>36,945</u>
Total Resources Available and to be Provided	<u>\$ 596,557</u>	<u>\$ 158,184</u>	<u>\$ 118,007</u>	<u>\$ -</u>	<u>\$ 636,734</u>

GENERAL LONG-TERM OBLIGATIONS PAYABLE

General obligation debt	\$ 522,503	\$ 137,939	\$ 94,013	\$	\$ 566,429
Unfunded compensated absences	30,534	5,306	2,480		33,360
Unfunded claims and judgments	<u>43,520</u>	<u>14,939</u>	<u>21,514</u>		<u>36,945</u>
Total General Long-Term Obligations Payable	<u>\$ 596,557</u>	<u>\$ 158,184</u>	<u>\$ 118,007</u>	<u>\$ -</u>	<u>\$ 636,734</u>

APPENDIX B

Draft Form of Legal Opinion

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Upon delivery of the Bonds, a legal opinion substantially in the form set forth below, will be delivered to the Underwriters by Bond Counsel, dated the date of delivery of the Bonds.

HAWKINS, DELAFIELD & WOOD

67 Wall Street
New York, New York 10005

QUARLES & BRADY LLP

411 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-4497

Mr. W. Martin Morics
City Comptroller of the City
of Milwaukee
Room 404, City Hall
Milwaukee, Wisconsin 53202

Dear Sir:

CITY OF MILWAUKEE, WISCONSIN
GENERAL OBLIGATION REFUNDING BONDS
SERIES OF 2002-A, \$159,985,000

At your request, we have examined into the validity of an issue of \$159,985,000 General Obligation Refunding Bonds, Series of 2002-A (the "Bonds"), of the City of Milwaukee, Wisconsin (the "City"), dated October 15, 2002, in fully registered form, of the denomination of \$5,000 each or any integral multiple thereof, numbered R-1 upwards, payable on September 1 in each of the years and in the principal amounts set forth below, and bearing interest payable on March 1, 2003 and semiannually on each March 1 and September 1 thereafter at the rates per annum as follows:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2003	\$5,220,000	2.50%	2010	\$17,505,000	5.00%
2004	8,680,000	2.50	2011	23,675,000	5.00
2005	6,255,000	3.00	2012	21,720,000	5.00
2006	2,425,000	4.00	2013	14,715,000	5.25
2007	2,295,000	5.00	2014	16,715,000	5.25
2008	6,460,000	5.00	2015	14,430,000	5.25
2009	11,665,000	5.00	2016	8,225,000	5.25

The Bonds are not subject to redemption prior to maturity.

The Bonds recite that they are issued for the purpose of refunding certain outstanding general obligations of the City pursuant to and in all respects in compliance with Chapters 65 and 67 of the Wisconsin Statutes, and acts supplementary thereto, the Charter of the City and resolutions duly adopted by the Common Council of the City and the Commissioners of the Public Debt of the City. We have examined the Constitution and statutes of the State of Wisconsin, the Charter of the City and a certified transcript of proceedings relating to the authorization and issuance of the Bonds, also a specimen Bond. We have relied upon such transcript as to the matters of fact stated therein, without independent verification.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

In our opinion, the Bonds have been authorized and issued in accordance with the Constitution and statutes of the State of Wisconsin and the Charter of the City, and constitute valid and legally binding obligations of the City, and the City has power and is obligated to levy ad valorem taxes for the payment of the Bonds and the interest thereon upon all property within the City subject to taxation by the City, without limitation of rate or amount.

It is to be understood that the rights of the holders of the Bonds, and the enforceability thereof, may be subject to judicial discretion, to the exercise of the sovereign police powers of the State of Wisconsin and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

It is also our opinion that, under existing statutes and court decisions and assuming compliance with certain tax covenants, interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Bonds, and we have assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

We express no opinion regarding any other Federal or state tax consequences with respect to the Bonds. We have rendered this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

Very truly yours,

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

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**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No.: -N

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)

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